REVIEW OF THE REHABILITATION, READJUSTMENT TRAINING AND EMPLOYMENT PROGRAMS OF THE VA AND H.R. 5673

HEARINGS

BEFORE THE

SUBCOMMITTEE ON EDUCATION, TRAINING AND EMPLOYMENT

OF THE

COMMITTEE ON VETERANS' AFFAIRS HOUSE OF REPRESENTATIVES

NINETY-SEVENTH CONGRESS

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REVIEW OF THE REHABILITATION, READJUSTMENT TRAINING, AND EMPLOYMENT PROGRAMS OF THE VA, AND H.R. 5673

THURSDAY, JUNE 17, 1982

HOUSE OF REPRESENTATIVES,
SUBCOMMITTEE ON EDUCATION,
TRAINING AND EMPLOYMENT,
COMMITTEE ON VETERANS' AFFAIRS,
Washington, D.C.

The subcommittee met, pursuant to call, at 9:30 a.m., in room 334, Cannon House Office Building, Hon. Robert W. Edgar (chairman of the subcommittee) presiding.

Present: Representatives Edgar, Boner, Daschle, Heckler, and Siljander.

OPENING STATEMENT OF CHAIRMAN EDGAR

Mr. EDGAR. The subcommittee will come to order.

Good morning, ladies and gentlemen. The purpose of today's hearing will be to review the rehabilitation, readjustment training, and employment programs of the Veterans' Administration mandated by title 38, United States Code.

In preparation for these oversight hearings, the Veterans' Administration has prepared a very lengthy analysis of these programs which the subcommittee has already had a chance to review. We will also receive the agency's comments on H.R. 5673, a bill introduced by request of the administration to make adjustments and improvements in these benefit systems.

These programs touch the lives of hundreds of thousands of Vietnam-era veterans, disabled veterans, and eligible survivors who continue to need and deserve our help. We are determined to continue our oversight on a regular basis to insure that even in times of tight budgets and administrative restrictions, we can maintain the integrity of these programs.

We have many specific questions to ask the Veterans' Administration witnesses this morning, and we will also have additional questions on all of these programs to be submitted in writing and would expect a prompt response so that answers can be included in the hearing record.[1]

However, the primary focus of this hearing will be to document for the record the VA's track record in implementing two specific programs for job training and economic development for Vietnam-

[1] See pp. 166, 171.

era veterans enacted last year. By concentrating on these two programs, I hope we can make an assessment of the present mood within the administration surrounding the general level of support for all veterans' programs, including those for education, training, and employment.

On November 3, 1981, the President, with reservations, signed into law Public Law 97-72. Among other provisions, the legislation provided:

One, health care in VA facilities for Vietnam veterans with illnesses which could be associated with exposure to the defoliant, agent orange.

Two, a 3-year extension of the successful storefront readjustment counseling centers.

Three, a targeted extension of the 10-year delimiting date for certain Vietnam veterans to utilize on-the-job training and vocational programs under the GI bill.

And four, a small business loan program to be administered by the Veterans' Administration which would grant loans up to $200,000 for eligible Vietnam-era and disabled veterans.

There will be a lot of talk in this hearing this morning about "legislative history" and the intent of the Congress in supporting this legislation. However, this record should also state that the administration opposed each of these provisions from the time they were originally introduced. Even on the morning of June 2 of last year, when the job training measure and the small business loan program were before the House, the Office of Management and Budget circulated a document on the floor stating the administration's continued objection to these programs. Notwithstanding the objections, the vote carried overwhelmingly in favor of these provisions in both the House and later in the Senate. But it is our opinion that the administration's reservations about these programs have once again surfaced in the manner in which they have been implemented or not implemented at all.

On signing the legislation, the President announced his intention to weigh carefully any attempt to fund the small business program. No funding was provided this year and none is expected from the administration for next year. The VA has yet to even draft regulations for the program as required by law.

The extension of the job training benefits expires on the first day of 1984, only 18 months from now, and I am sure George Orwell would be proud of the Byzantine, restrictive regulations devised by the VA to limit participation in that program.

I have introduced legislation, H.R. 6441, to extend eligibility for these services for an additional year to make up for the time lost because of these excessive regulations. I hope we will be able to make improvements to see that the VA does not continue this Orwellian mistake.

At present, very few Vietnam veterans can or will qualify for additional training. In our view, the program falls far short of congressional intent, legislative history, and even the VA's own original budget estimates.

What the Office of Management and Budget could not achieve through legislative veto of a very popular and needed program, has

in the end been neatly achieved by gross inaction, regulatory strangulation, and administrative excess.

Needless to say, we are disturbed by this. Our concern is shared by many Members of Congress, several of whom have asked to testify this morning. We certainly hope that the VA's track record on these two particular programs is not an indication of their future plans for all veterans' benefits.

I would like to ask unanimous consent to include in the record at this point the President's statement that he made on November 3, 1981, when he signed the provisions into law.[1]

I would also like to ask unanimous consent to include in the record a May 20, 1982, letter by a number of Members of Congress to the President, requesting some information on the way in which these programs have been administered.[2]

Third, I would like to ask unanimous consent to include a fact sheet that includes background information and regulations for these two programs.[3]

Without objection, we will make all three of those statements a part of the record.

I would now like to call on two or three of our Members who are here. Let me ask first David Bonior to come to the microphone.

Mr. DASCHLE. Mr. Chairman, while they are coming up, if I could be permitted just to make a comment.

Mr. EDGAR. I yield to the gentleman.

STATEMENT OF HON. THOMAS A. DASCHLE, A REPRESENTATIVE IN CONGRESS FROM THE STATE OF SOUTH DAKOTA

Mr. DASCHLE. I am extremely interested in this issue. I want to just inform the committee that I have another meeting, a very important one, over in the Agriculture Committee that I am going to have to be at at 10 o'clock.

But I think the way the VA has handled this situation so far has been a disaster. The figures that I have here before me indicate that the program right now is tantamount to no program at all, so I think we have a lot of information to bring before this committee to analyze and to digest and to determine from that information what we need to do in the future.

But I commend the chairman and this committee for holding these hearings at this time, and I am delighted that we have this opportunity today to address this question in the detail in which we will.

Mr. EDGAR. I thank the gentleman for his comments and commend him as one of the original cosponsors of the legislation to provide for the extension, and also for the loan program. I appreciate your support on these issues.

Congressman Bonior, it is a pleasure to have you before the committee today. We have a number of Members who have shown interest in this issue and we invite you to share your testimony.

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[1] See p. 111.
[2] See p. 114.
[3] See p. 115.

STATEMENT OF HON. DAVID E. BONIOR, A REPRESENTATIVE IN CONGRESS FROM THE STATE OF MICHIGAN

Mr. BONIOR. Thank you, Mr. Chairman.

Mr. Chairman, I commend the subcommittee for its decision to hold today's important hearings on the failure of the Veterans' Administration to properly implement Public Law 97-72, the Veterans Health Care, Training, and Small Business Loan Act of 1981. In particular, I commend the chairman and Mr. Daschle, a member of the subcommittee, as well as Mr. Montgomery, chairman of the full committee, for their continued leadership on Vietnam veteran issues.

Congress can compel the Executive, but it requires the use of our final powers, powers we are justly hesitant to flex. In the daily course of business, what Congress enacts is implemented principally—and unfortunately in many instances—because the Executive agrees to pay attention to our intentions.

When this comity breaks down, Congress and the Executive play a game of patience where the Executive seeks that fine line where indifference to congressional intent does not prompt a serious congressional reaction. It is such a game that we watch today on this issue.

Mr. Chairman, last year, following the leadership of this committee, Congress enacted landmark legislation for Vietnam veterans. Among the act's provisions were two important employment and business initiatives: A small business loan program for Vietnam and disabled veterans providing loans and loan guarantees of up to $200,000, and a special 2-year period of extended eligibility for on-the-job training—and vocational and secondary education also was included.

These two programs were the long-overdue response to the continuing needs of Vietnam veterans. Yet with the Nation in the deepest recession since the Great Depression, with more than 750,000 Vietnam veterans unemployed, the administration has chosen to block implementation of both programs.

The administration has implemented the special eligibility for on-the-job training and vocational education through regulations that are so tight that few are eligible. Under the regulations, any veteran, no matter what his employment history, is barred from the employment assistance if he has 60 hours of postsecondary education. Any veteran, again, no matter what his employment history, is barred from the program if he has ever, ever had a job beyond what is termed "entry level."

A few examples should clarify the regulation's implications. A veteran who once fought his way beyond an entry level job, perhaps in 1974, and was then laid off during the recession of 1974 and 1975, and has never fully recovered, is automatically barred. A veteran who has sought, on and off, when his finances allowed, to earn a college degree, is also barred if he has managed to complete just 2 years of schooling.

Mr. Chairman, it seems regrettably clear that the VA will not come forward today to offer new cooperation and regulatory reform. Rather, the VA will appear today to lecture you, and Mr. Daschle, the distinguished author of the provision, on your actual

intent—to explain patiently to you, as if you are slow children in school and have difficulty learning, how you obviously cannot have intended to do what you obviously did.

The VA should know better. The legislative history on this issue is very, very clear. Indeed, it is so clear that it should surprise no one if the VA's polite lecture contains no citations to authority, for a turn to the record certainly would silence that debate.

The special eligibility period was a carefully focused program. It was limited to 2 years, expiring at the end of 1983. With hundreds of thousands of Vietnam veterans unemployed, Congress projected that the program would reach some 40,000, under 10 percent of the immediately unemployed, far less a percentage of all those facing employment problems.

Yet even that limited goal may escape us, and that, Mr. Chairman, is the tragedy. This is not a case of a massive Federal effort, promising help to millions, which has been cut back on the margin. This is a case of a barebones effort, already tightly focused by Congress, being reduced to almost nothing.

Congress did intend to limit employment assistance to veterans facing employment problems, but within that ambit, Congress clearly intended to reach a broad group of under-employed and unemployed veterans. The congressional intent to reach some 40,000 has been dismissed through regulations, that during the program's first quarter awarded benefits to only 13 percent of those eligible and seeking assistance. Across the entire Nation, 169 were helped. In my area of Detroit, 16 were found eligible.

Accordingly, I am proud to support the chairman's bill, H.R. 6441, to extend the program an additional year, through 1984. Given the VA's present implementation, and the likely additional time required to change VA policy, the extension is very clearly required.

The story of the implementation of the small business loan program is similar in kind, although more extreme in degree: Having opposed enactment of the program, the President announced—and you submitted it for the record during the introduction of the proceedings, Mr. Chairman—the President announced, upon signing the bill into law, that he would carefully review any effort to fund the program.

No funding was requested for the program in the fiscal year 1982 supplemental or the fiscal year 1983 general appropriation. More disturbing, the administration's fiscal year 1982 budget does not contain room for the program should Congress attempt to appropriate funds. Not surprisingly, the VA simply abandoned any effort to promulgate regulations in time to implement the program by the statutory mandate of May 3.

Not satisfied with merely opposing the program, the administration, through the VA, now adds sophistry to insult. Having opposed including room in the budget, having opposed any actual appropriation, the VA now suggests that the only problem is Congress' failure to secure an appropriation.

Appropriations cannot be created out of thin air, nor can the administration have it both ways, Mr. Chairman. The administration cannot be complimented for its legislative skills while claiming to have done nothing. Killing a program is killing a program.

To the VA, there is one simple question: Does the VA's concern for the program mean that it has cleared with the Office of Management and Budget a request for funding within the fiscal year 1982 supplemental and that it has communicated the administration's support officially to the Appropriations Committee?

If the answer is yes, then we await the regulations and thank the VA for its efforts. If the answer is no, then the administration can hardly claim innocence.

Mr. Chairman, the two programs the subcommittee addresses today are not the first Vietnam veteran programs to face implementation problems under the present administration. As almost its first act in office, the administration illegally impounded funds from the readjustment counseling program, an illegal action the administration pushed almost to the breaking point of a constitutional issue. A legal opinion by the General Counsel of the VA did not stop the impoundment; two legal opinions by the respected General Accounting Office did not stop the impoundment.

In the end, it took litigation, brought by myself and other members of this committee, and even that, by itself, was not enough. Two separate and extraordinary actions taken by the full Congress and the full Senate were required.

Mr. Chairman, like many, my concern over the implementation of these programs began the day they were signed into law and it became clear that the administration would block implementation. But, as with all of us, I was prompted to specific action by a specific event, and I would like to narrate that event in my concluding remarks to you this morning.

Proud of last year's bill, feeling that it represented a landmark effort to assist Vietnam veterans, I sent a newsletter, like most of us do, to veterans in my district outlining the bill. In response to that newsletter, my office began receiving calls from Vietnam veterans.

They were not friendly calls. They did not express the pride of Vietnam veterans who thought their needs were finally being acknowledged by this Congress, by this country. The calls were angry and frustrated. The veterans had discovered that the legislation outlined in the newsletter meant almost nothing. There was going to be no help.

The callers were angry, but they were not angry at the VA. They were angry at me. They felt that I had lied to them, that I had lied because I had claimed that finally their Government was acting. I had offered them a hope that to them wasn't true.

Well, this is not the first time that that anger found the wrong target, but the story reflects, in a sense, the point of today's hearing. The VA has made me into a liar and, with me, the full Congress and the Nation.

The Nation has sought to send a new message of respect and recognition to Vietnam veterans. The VA is responsible for carrying that message to our Nation's veterans. We are here today to make sure that the VA gets the message straight.

I thank you, Mr. Chairman.

Mr. EDGAR. Thank you very much for your testimony. It is a very valuable contribution to these hearings.

I want to commend you as the founding member of the Vietnam Era Caucus on Capitol Hill and in the Congress of the United States. You have been a fighter and a leader of that cause and I share with you many of the concerns and alarm that you reflected in your testimony.

I invite you to sit with the committee as we listen to the VA witnesses in a few moments and ask questions. If that is not possible, I will be glad to try and articulate and ask the kinds of questions that you raise in your testimony.

I have no further questions.

Are there any questions from my colleagues? Mr. Daschle.

Mr. DASCHLE. Mr. Chairman, I want to tell you that I don't miss too many of these hearings, nor many of the witnesses, but that was one of the finest statements we have had before this committee in a long time. I want to thank you for that kind of contribution.

Mr. BONIOR. Thank you.

Mr. DASCHLE. It doesn't take a lot of statistics to put the message before this committee. We have the statistics. They are incredible to me, as to what a dismal failure this has been. What it takes is just a couple of experiences like we all have, after we, with some hope, try to put a program out that will do some good, and find it fails not because of the intent of the law, not because of the way it was drafted, but because we can't get the people downtown to administer it. That's what it is all about.

I want to find out why we can't get them to administer this program this morning, and before it is over with, if we don't have those answers, we're going back to the drafting tables and make sure that we legislate once again to insure that the job gets done. One way or another, it is going to get done. It is just too bad that we have to conduct what is tantamount to a civil war between the executive and the legislative branches of the Government to carry out what is supposed to be very clearly our responsibility.

So I am anxious, I think, as you say, for the results of this hearing to bear some fruit. I am just hopeful we can get started.

Thank you.

Mr. BONIOR. Thank you.

Mr. Chairman, I would like to stay and will try to get back. I have another hearing to testify at and, if I can, I will be back shortly.

Mr. EDGAR. Any other questions?

All right. Thank you very much for your testimony.

Before Congressman Florio comes to the witness table, I would like to ask unanimous consent to insert in the record at this point two letters to the Honorable Ed Boland, who chairs the Subcommittee of HUD-Independent Agencies, one sent by a number of Members of Congress and one sent by our chairman, requesting funding for the small business loan program. We will insert those in the record at this time, without objection.[1]

Mr. EDGAR. Our next witness will be Congressman Jim Florio of New Jersey.

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[1]See pp. 113, 116.

STATEMENT OF HON. JAMES J. FLORIO, A REPRESENTATIVE IN CONGRESS FROM THE STATE OF NEW JERSEY

Mr. FLORIO. Good morning, Mr. Chairman.

I would like, with your permission, to insert my statement in the record in its entirety.

Mr. EDGAR. Without objection, your full statement will be made a part of the record.[1]

I thank you for coming this morning. I apologize for the delay in putting you on, but I really appreciate your enthusiasm and interest on this issue.

Mr. FLORIO. Thank you very much.

Mr. Chairman, I want to address my remarks in part to the whole question of the 2-year extension and my experience with regard to the implementation of that bill and the frustration that I have experienced in the same way the previous witness has experienced. I am going to spare you the details of the problem in terms of unemployment of Vietnam veterans. I am sure you are fully aware of those statistics. My area mirrors the Nation in terms of that problem.

The act that I am talking about, the 2-year extension of the delimiting period, provided that implicit in the history of the 1981 act was a commitment of the Congress to target the benefit extension to those veterans most in need of employment assistance. The assistance provided in the act is targeted to Vietnam-era veterans in need of on-the-job training, on vocational education programs and other job training programs likely to lead to full-time employment.

The Congressional Budget Office estimated last year that even with the statute's restrictions and limitations, 40,000 Vietnam veterans nationwide should meet the eligibility guidelines for assistance. Unfortunately, the performance of the VA in implementing the legislation has fallen far short of that goal. According to information that I have received out of the Newark, N.J. Regional VA Office, not one New Jersey Vietnam-era veteran has been approved for the GI bill extension. Newark's latest statistics, ending on March 31, 1982, report that only 15 New Jersey veterans were sufficiently encouraged by the VA to apply for the benefit extension since the start of the program. Of these 15 applications, 4 were denied and 4 are pending further review.

I have received a similar report from officials at the Vietnam Veterans Multi-Purpose Center located in Philadelphia. This center assists Vietnam veterans from my congressional district, and I am sure from the chairman's as well, in processing VA claims. Center officials report that they have received approximately 60 applications since the announcement of the program. I am informed that the center felt the responsibility to advise approximately 50 of the applicants that they failed to meet the rigid VA eligibility guidelines for the program. I am sure that the chairman, again, can comment on his own experience in the area that we both represent.

The experience we have had in New Jersey and, I suspect, in the Philadelphia region, is mirrored across the Nation. The Administrator of the VA reports that in the first quarter of this year, the

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[1]The full statement of Congressman Florio appears on p. 117.

first 3 months of the program, the VA has only been able to process half of the 2,600 claims that are filed. Only 13 percent of the claims processed have been approved.

In these figures I see a number of concerns with the implementation of the program. Clearly, the VA has misinterpreted congressional intent in writing the regulations. VA testimony to be offered to this committee, I understand, suggests that its intention in writing implementing regulations was to assist only those veterans it defines as "unskilled". In essence, the regulations limit eligibility—only to Vietnam veterans who have never held a job beyond entry level job capability.

Regardless of a veteran's employment history or his present employment needs, under the VA regulations, even unemployed Vietnam veterans will be disqualified from the program, if he has any postsecondary schooling, or if he has ever held a job requiring any degree of skill. The only Vietnam veteran who has a chance of qualifying for the program under these restrictive rules are those who lack a high school diploma.

The VA enforces these regulations with an incredible amount of paperwork. The VA drew up an 11-page circular of regulations citing how it would determine who was skilled and who was unskilled for program eligibility. Those determinations, in turn, are based upon a Department of Labor publication that is 2,656 pages long. Regardless of this administration's commitment to reduce governmental regulations, the VA has successfully overregulated this extension legislation out of existence.

When the Congress passed the 1981 act the Congressional Budget Office estimated that it would assist 40,000 Vietnam veterans with employment difficulties. At the current application approval rate, the VA probably will be able to assist 1,352 veterans by the time this act expires 18 months from now.

Mr. Chairman, my final concern deals with the clear impression that is given to Vietnam veterans through the administration of this program. The word is out that this program is a sham, that nobody really has any great interest in giving benefits to veterans in terms of job training by this particular legislative enactment.

Another problem that I have with the VA approach is that I have no doubts whatsoever, because it mirrors much of what this administration is doing in a whole lot of areas that are not high-priority areas—environmental areas, consumer protection areas—I have no doubts whatsoever that the VA will cite the low number of applicants as justification for eliminating this program. It is a catch 22 thing. You draw the regulations so as to minimize eligibility, then create a paperwork jungle so that no one can find their way through it, and then because no one is taking part, you cite the program as not having any real rationale. I think that is a tragedy.

I commend this committee for what it is trying to do, and I would just urge that as you put questions to the VA, you extract from them a commitment to rework the regulatory systems so as to make it able to be understood and that there be an outreach component in this program so as to reach out to encourage and to minimize the paperwork so as to encourage participation.

Mr. Chairman, thank you very much.

[The statement of Mr. Florio appears on p. 117.]

Mr. EDGAR. Thank you very much for your statement.

I want to assure you, because we share the same multi-purpose center in Philadelphia and some of the same concerns, that your questions will be raised with the VA when they take the stand. I share your concern that so few people throughout the country have participated in this program which was set up to respond to the needs of high unemployment, particularly among Vietnam-era veterans. Later in these proceedings I plan to submit for the record some of the latest statistics on the unemployment level and it will reflect a very high level of unemployment among those veterans we had hoped to serve by the program.

Thank you for your statement.

Are there any other questions from my colleagues?

Mr. BONER. Mr. Chairman, I have a statement I would like to read into the record, but I don't want to tie up my colleague's time.

Mr. EDGAR. Thank you. Thank you very much for your participation.

Without objection, you may proceed at this time.

STATEMENT OF HON. WILLIAM HILL BONER, A REPRESENTATIVE IN CONGRESS FROM THE STATE OF TENNESSEE

Mr. BONER. Mr. Chairman, I want to thank you for calling this hearing today so that we can address the Veterans' Administration's ineffectiveness in implementing legislation that was specifically designed to assist the Vietnam-era veterans.

I feel certain that many of my colleagues share my disappointment over the VA's failure to implement these vital programs. This legislation not only provides needed assistance to the unique problems facing Vietnam-era veterans, but it also represents an official declaration of congressional support and a willingness to finally acknowledge the sacrifices these men and women have made for their country, which for so long has gone unnoticed by the American public.

Currently, in my own State of Tennessee, more than 7,000 Vietnam-era veterans are unemployed. That number represents more than half of all the unemployed veterans in the State. I firmly believe that these are the very people that Congress intended to assist when it passed this landmark legislation.

Yet, of the 181 Vietnam veterans in Nashville who applied for the extended program under the GI bill, only 18 were approved. As low as these numbers are, they are strikingly higher than the national figures.

I believe that if we move quickly there is still a chance to salvage these programs and insure that these veterans receive this needed assistance as Congress originally intended.

Again, I want to thank you for having this hearing so these problems can be addressed.

Mr. EDGAR. Thank you for your statement.

Our next witness will be Congressman Leon Panetta. We appreciate your coming this morning and your interest in this particular issue.

STATEMENT OF HON. LEON E. PANETTA, A REPRESENTATIVE IN CONGRESS FROM THE STATE OF CALIFORNIA

Mr. PANETTA. Mr. Chairman, I wish to thank the members of the subcommittee for holding this important hearing. As vice-chairman of the Vietnam-Era Veterans Caucus, I appreciate this opportunity to testify because what is being discussed today is the very reason we established the Vietnam-Era Caucus.

It has been almost 20 years since the beginning of the American involvement in Vietnam and more than half a decade since that involvement ended. Those years were among the most painful and decisive in our history as the American public confronted profound questions both at home and abroad.

It is perhaps only natural—but clearly unacceptable—that the residual political, economic and social commitments of this painful era be repressed as the country searches for unity and psychological healing. Any denial or impedance of our responsibility to fulfill the rights and needs of the Vietnam veteran is completely intolerable.

What we have seen time and time again, however, is a refusal to recognize the urgent needs of these veterans who committed themselves and paid with personal sacrifices to the service of their country. It was for this reason, with your help and the help of others, that the caucus came together to try to focus on key legislation, to try to secure its adoption. But after struggling to realize this objective and pass, with the cooperation of the chairman, this legislation into law, we are now faced with the failure to implement this legislation.

In March of this year, 747,000 Vietnam veterans were unemployed—a 47-percent jump from 1 year ago. The 9.9 percent unemployment rate for Vietnam veterans was 14-percent higher than the unemployment rate of their nonveteran peers.

As the members of the subcommittee are well aware, last year Congress enacted legislation to meet this problem: Public Law 97–72, the Veterans' Health Care, Training, and Small Business Loan Act of 1981. Among the act's provisions were two essential employment and business initiatives. The first established a small business loan program for Vietnam veterans and disabled veterans. Second, Congress extended eligibility for employment assistance under the GI bill through on-the-job training, vocational, and secondary education—targetted at the underemployed and the undereducated Vietnam veteran.

The administration has balked at effectively implementing either of these provisions. The Veterans' Administration was to have begun offering the small business loans last month. Yet, to date, the Administration has failed to issue regulations to implement the program, and in fact, has requested no funding for Vietnam veteran small business loans in fiscal year 1983.

While pursuing a policy of neglect concerning its legal obligations to write small business loan regulations for Vietnam veterans, the Administration has apparently adopted a mischievous zeal for its task to publish regulations governing extension of job-training benefits. The 2,600-page book of stifling regulations has allowed only 169 out of 2,445 claims to be accepted in the first quarter of

1982. The 5-inch thick book of obstructionist regulations is an affront to both the intent of Congress and the legitimate needs of our Vietnam veterans, and I would suggest it is a contradiction to everything this administration said it stood for in terms of trying to diminish the regulatory burden as far as implementing these laws.

Since a great deal of the dispute concerning the implementation of Public Law 97-72 appears to concern the Administration's interpretation of the intent of Congress, I feel that it is essential that it is strongly demonstrated today that the intent of Public Law 97-72 was to provide immediate assistance and to provide a sign to all Vietnam veterans that their government was prepared to recognize their service and its own obligations.

Indeed, it was the intent of Congress to assist a group of Americans who sacrificed so much for America. Fifty-thousand Americans died in Vietnam and 2.8 million Vietnam theater veterans were prepared to. Three hundred thousand were wounded. One hundred thousand were permanently disabled. Of those married before Vietnam, 38 percent were separating or divorcing just 6 months after their return. One Vietnam vet in three has recurrent nightmares and the overall suicide rate of Vietnam veterans is 23 percent higher than that of nonvets the same age. It was the commitment of these people that Congress intended to fulfill when it enacted Public Law 97-72.

While the Administration's interpretation of the intent of Congress concerning extension of job-training benefits is clearly in error, its rationale for not implementing Vietnam veteran small business loans is completely twisted. The Administration has stated that now is not the time to "tempt" veterans into small business because of the weakened state of the economy. Yet, now more than ever we need to stimulate small business and insure the survival of smaller firms.

Many Vietnam veterans reside in California's 16th Congressional District. They are proud to have answered when their country was in need—but they are frustrated and increasingly embittered that their country has not answered now that they are in need. Most recently I was contacted by a constituent, Mr. Brassfield. He is a Vietnam veteran who wants to start a small business. He wants to know why Public Law 97-72 funds are not available when the first loans were supposed to be made in May of this year. Today I wish to pose this same question to the Administration. Mr. Brassfield further stated that as a Vietnam veteran, he feels that the country should stand by its promises. I could not agree more.

Again, I wish to thank the members of the committee for holding this hearing to help insure that our promises and our obligations to Vietnam veterans are met.

Mr. EDGAR. Thank you very much for your statement and taking the time to come and share your views with us. We intend to ask the VA some very pointed and specific questions along the line of your testimony.

Mr. PANETTA. Thank you.

Mr. EDGAR. Are there any questions from my colleagues?

Mrs. HECKLER. If I might comment, I would like to commend the gentleman for his statement and say that we have had not only the concerns of the Vietnam veterans, who have been a priority with

me for the last 16 years on this committee, but really the whole question of veterans' employment. That is a nagging problem that has gone on for many years.

The veterans employment program has never been aggressively implemented. In the last administration we had to seek the resignation of Roland Mora, who was the Director of Veterans Employment, because of his lack of performance in the field, and we still find there is not aggressive enforcement.

I would like to say to my colleague, who has so much influence, and with good reason, which has been earned by his performance in the Congress, that I would hope his influence would be used with the Appropriations Committee to fund programs.

If I might raise an issue that also relates to veterans, although not of this era, that would be the funding of the geriatrics program which remains almost at a standstill, going along at a sluggish rate and not fully invested with new funds while so many of our veterans are reaching the geriatrics stage. In an attempt to avoid institutionalizing them, this program was enacted calling upon the use of our medical schools and our clinical facilities and our research to develop programs on geriatrics, and yet this has not been funded by our Appropriations Committee.

So the gentleman, in that important role on the Budget Committee, I know has a sincere concern for veterans, and I would hope that we could work together, indeed, on the issues that you have raised this morning, but as well on the other veterans' programs, because in so many areas there has been less than I think honest performance to congressional mandate as the veterans organizations have themselves testified.

Mr. PANETTA. I thank the gentlelady and I look forward to working with her on those issues, because I think she is right.

We expressed this commitment of the country to these people who do, in fact, commit themselves to service for this country, and every time we back away from one of those commitments, we send out a very large signal that we are not going to stand by what we said we were going to do. That's wrong.

Mr. EDGAR. On that note, the committee will stand in recess for 10 minutes. We will return following our votes.

[Whereupon, the subcommittee was in recess.]

Mr. EDGAR. The committee will come to order again.

At this point I would like to recognize Howard Wolpe for his opening statement. Howard, we are pleased that you are participating in today's hearings.

Your full statement will be made a part of the record and we appreciate your coming.[1]

STATEMENT OF HON. HOWARD WOLPE, A REPRESENTATIVE IN CONGRESS FROM THE STATE OF MICHIGAN

Mr. WOLPE. Thank you, Mr. Chairman.

I want to begin by simply expressing my personal appreciation to you and to the members of this subcommittee for the very active role that all of you have taken in calling public attention to the

[1]The full statement of Congressman Wolpe appears on p. 119.

failure of the Veterans' Administration to implement key provisions of the Veterans Health Care, Training and Small Business Loan Act of 1981.

Because it is unemployment which is the dominant problem within my own State of Michigan, and because the unemployment rate among Vietnam veterans is particularly high, I want to restrict my comments this morning to the job training component of that 1981 act.

My testimony is really based upon the experience of my district offices. My caseworkers in those offices have been struggling to win for my constituent Vietnam veterans the vocational and educational opportunities that were promised them under the provisions of Public Law 97-72. On a daily basis they are being frustrated in their efforts—frustrated because the eligibility requirements drafted by the Veterans' Administration have made it virtually impossible for any Vietnam vet to be determined eligible for the benefit, regardless of the extent of their need or the merits of their claim.

In the entire State of Michigan, only 16 applications for an extension of the delimiting date on vocational education benefits have been approved, despite the receipt of 238 applications in the Detroit office. This is chiefly because the Veterans' Administration drafted its regulations with the express purpose of disentitling the majority of veterans the training component of the act sought to assist.

Frankly, this should come as no surprise. We should remember that President Reagan signed the act into law only after voicing his personal reservations about the propriety and purpose of the legislation.

There are basically three problems with current VA regulations governing eligibility for extended vocational education, problems which alone and in concert with one another are gutting the training program authorized in the Act. First, current regulations are written in the alien tongue of advanced legalese, a language which a reader, without the benefit of a degree in law, would find unintelligible. We should keep in mind that unskilled and educationally-disadvantaged veterans are not likely to be able to find their way through 2,500 pages of regulations, requirements, and caveats in order to determine whether or not they might be eligible for assistance under this act.

Second, current regulations restrict extended vocational education benefits to unskilled and educationally-disadvantaged Vietnam veterans and then proceed to disqualify almost every applicant who has worked at any job for more than 3 months. For example, current VA regulations would classify anyone who has worked only 3 months in a factory situation, essentially an unskilled job that might involve pressing buttons, as a dishwasher in a restaurant, as a street juggler on a corner or as a salesman on your doorstep, as skilled workers and therefore ineligible for assistance, even if that applicant was unable to hold on to that job for more than 3 months.

Finally, if the Vietnam veteran can overcome the hurdles of understanding the incredibly complex language in which the VA regulations are written, and has somehow since leaving the service been able to avoid becoming what the VA would erroneously label

a skilled worker, he must then be very careful to make certain that the education he seeks qualifies as vocational education as defined by the Veterans Administration.

Current VA regulations require that such education occur in the form of a nondegreed program of study. But most colleges have transferred their nondegreed vocational educational programs to degree-bearing academic departments. Ironically, they have done so to comply with VA regulations requiring that veterans receiving benefits under the GI bill be registered in certified programs of study. Very simply, the definition of a vocational program of study as one that does not result in a degree is inaccurate, and it is a definition which unfairly limits the training choices and vocational opportunities of the Vietnam veterans that the Training Act seeks to assist.

Mr. Chairman, legislation passed by the Congress extended the vocational education benefit for 2 years. The clock has been running ever since the VA published its regulations. Unless we act very quickly to insure that the legislation is administered in the way in which the Congress intended, the provisions of the bill will have expired and very few veterans will have benefitted from our efforts.

Robert Service once remarked that a promise made is a debt unpaid. His words serve as a biting indictment of the situation we are now discussing. It is indeed time that we stop making promises to our Vietnam veterans and get down to the business of honoring those promises we have already made.

Seven years ago the United States removed its last land-based forces from Indochina and Americans everywhere drew a sigh of relief knowing that our ill-fated involvement in Vietnam had come to an end. But for those veterans whose lives were unalterably changed by the experience of that war, and the heartless neglect of a guilt-ridden and forgetful Nation, the sacrifices of that war continue. Only if we get down to the business of providing some meaningful assistance to those veterans, and in this connection making certain that appropriate provisions are made in the administration of the Veterans Health Care, Training and Small Business Loan Act of 1981, can we truly bring an end to that tiring and tragic episode in our military history.

Thank you very much, Mr. Chairman.

[The statement of Mr. Wolpe appears on p. 119.]

Mr. EDGAR. Thank you very much for your strong statement. I think your statement speaks to the issue that we are here to discuss today in a very clear and concise way. I want to commend you for your leadership. We have a long way to go between raising our consciousness of the VA and making sure that those many veterans, particularly in the State of Michigan, are able to utilize the program.

I wonder if for the record you could indicate the present unemployment rate in the State of Michigan.

Mr. WOLPE. The present unemployment rate is over 14 percent in Michigan.

The level of unemployment among Vietnam veterans nationally, of course, is higher than the general population, and that is as true in Michigan as it is elsewhere.

Mr. EDGAR. With the level of distress in Michigan, almost all of the funds directed toward this program could be used just in the State of Michigan. If an aggressive and streamlined program were put in place to address those Vietnam veterans targeted, who are minimally skilled and unskilled, they could be put to work and could be trained adequately.

Mr. WOLPE. We have communities within our State that have unemployment rates as high as 23 to 25 percent. In some cases, in some small sectors of large urban areas, the unemployment rates are in the 50-percent range. It is truly a disaster that is hard to fathom unless you are living there daily.

Mr. EDGAR. Thank you again for your statement, and thank you for coming this morning.

Mr. WOLPE. Thank you very much.

Mr. EDGAR. I am going to ask both Congressman Ratchford and Congressman Frank to come as a panel to the table at this time.

Gentlemen, we appreciate your patience and your coming this morning, and your leadership on this issue. I will ask you, Bill, to speak first, and then we will hear from Barney Frank.

STATEMENTS OF HON. WILLIAM R. RATCHFORD, A REPRESENTATIVE IN CONGRESS FROM THE STATE OF CONNECTICUT; AND HON. BARNEY FRANK, A REPRESENTATIVE IN CONGRESS FROM THE STATE OF MASSACHUSETTS

STATEMENT OF HON. WILLIAM R. RATCHFORD

Mr. RATCHFORD. First of all, let me thank you very much for providing the forum, because I think, without the forum, those who would have the Vietnam veteran remain the forgotten veteran in America would succeed. We simply cannot allow that type of cynical success to occur.

Now, my concern is that of someone who comes from a State, the State of Connecticut, where there are more than 125,000 Vietnam-era veterans. In fact, more than 26,000 from Connecticut served in the combat area in Vietnam. It is shocking to me that in 1982 the lack of commitment continues, a lack of commitment, a lack of concern, a lack of resolve, to see to it that the Vietnam veteran receives his or her equal treatment, equal to that of veterans of other wars.

I am also shocked at the lack of implementation of the legislation that you and I talked about on the floor of the House last year. The same week that President Reagan signed that bill, the same week that there was a public ceremony to applaud finally a resolve in Washington to bring the Vietnam veteran to parity with other veterans, Congressman Daschle and myself held a hearing in Waterbury, Conn., about the Vietnam veteran and his problems. We thought we were on the verge of a commitment that we now know sadly is still lacking.

Since Congressman Wolpe has talked in detail about one segment of the bill, I will direct most of my focus on the Agent Orange issue.

Perhaps I come to you with a degree of guilt because Agent Orange, as you know from your research, was developed at the University of Connecticut, developed as a defoliant, used in Viet-

nam in that capacity, used throughout this country along rail tracks and other areas to clear brush, but used without obviously any knowledge of the scars that it would leave for years and decades to follow.

Today as we talk, there still is a shocking lack of knowledge at the level of staff in the veterans hospitals on the issue of Agent Orange—good staff, dedicated staff, a staff without the sensitivity and background to deal with these problems, what types of problems.

Tom Daschle and I heard the problem in a very dramatic setting, problems relating to birth defects. We had one young couple from my area, western Connecticut, where the wife went through a 10-month pregnancy, where the child was born deformed and lived 20 days, and this where the father was a Vietnam veteran who had served in an area where Agent Orange had been used.

We had another young couple stand up and say, "We're about to get married; can we have children?" Tom and I were obviously not able to respond, nor can we respond today. Others referred to delayed psychological problems, a high incidence of cancer, high incidence of kidney problems, and yet we were only able to say to them "We hope you can get treatment at the veterans hospital."

In fact, several months ago, Bob, I think we were further along than we are today, because that bulletin the VA used at least showed a commitment, and now the new bulletin, as you know and I know, talks about the "theory" that there may be a relationship between exposure to Agent Orange and these problems.

Tell that to a veteran; tell that to a young married couple; tell that to parents of a deformed child; tell that to someone who has cancer, who served willingly, or as someone who was drafted into Vietnam, and telling him this country does not have a commitment or will not keep a commitment.

One quote from a veteran in Waterbury active in Agent Orange Victims International. He went to a hospital facility in Connecticut which has an excellent reputation. After informing the doctor that he suffered psychological problems attributed to Agent Orange, he was reviewed—listen to this—by a VA psychologist for 5 minutes, 5 minutes, and was told that he could not be helped because the hospital was booked up. He could not be helped because the hospital was booked up.

What are we saying to those who served a decade and a half ago, when we say to them, "We can't help you because we are booked up"? Or when we say to someone who thinks they have a problem directly traceable to Agent Orange, "Well, you're probably some kind of a flake, a psycho, a sicko, and therefore don't bother us." Yet this goes on today.

I am tragically concerned that that element of the bill relating to Agent Orange is being ignored. The fact that we are turning our backs even more is evidenced by the recent booklet.

Howard spoke eloquently of training. Let me give you an example from our office. Our office was contacted by a veteran in the Meriden area who was 2 months beyond his delimiting date, unemployed. He had tried for 6 months to get an extension and didn't get a response, not even a response. Two months beyond the delimiting time and he couldn't even get a response from the authorities.

In the State of Connecticut, we looked at the summary that you provided, and in Hartford, Conn., 17 applications were received for delimiting extensions; 2 of them were denied for unspecified reasons, and the others are still in limbo. To me, that is absolutely shameful.

Finally, the small business program. In this "tennis match" that is now being played about—you know, "whose turn is it to serve"—the hard fact of the matter is that was put into the bill—and you were one of the leaders—so that the authority could be there for a special business program for the Vietnam veteran. And now we are told there isn't the funding.

I don't see the initiative taken on behalf of the VA to say "we want funding for that program." I don't see the concern that there ought to be special employment opportunities for the Vietnam veteran. Frankly, I don't see a commitment to the Vietnam veteran at all.

You know and I know that Americans still support their veterans. I quote from the Haris poll of 1980, where 66 percent of those polled—these are veterans polled, now—reaffirmed their commitment to again serve their country if asked. It is time for us, in 1982—in fact, the time is late—to reaffirm our commitment. I fear the only way we are going to do it is through congressional committees, because the legislation was passed in 1981, protections were put on the books in 1981, safeguards in the area of agent orange, in the area of extension of education benefits, the area of employment opportunities, and they are being ignored. I come to one conclusion. They are ignored because of lack of commitment. That is a sad, post-Memorial Day comment.

Because of Members of Congress like you, Bob Edgar, I am hopeful that through Congress we can restore this faith and rebuild this commitment.

Thank you.

Mr. EDGAR. I thank you for your statement. It was a very strong and pervasive—a pursuasive statement.

Mr. RATCHFORD. I wish that we were both pervasive.

Mr. EDGAR. That's right. We have got a lot of work to do and I look forward to working with you in the future on issues such as the ones you have raised.

Congressman Frank, we are pleased to have you here.

STATEMENT OF HON. BARNEY FRANK

Mr. FRANK. Thank you, Mr. Chairman. My congratulations to you for holding the hearings. Like a lot of other things we do, I guess we wish some of this wasn't necessary.

I am appalled to see the callousness with which the Veterans' Administration has simply refused to give the help to veterans that Congress asked them to give. It is obviously particularly appalling to come from an administration which has shown itself to be, at best, selectively concerned about saving the taxpayers' dollars.

It is a combination of callousness to the veteran and disregard for the will of Congress which really outstrips anything I have seen in the 1½ years I have been here, although I don't doubt this ad-

ministration's capacity to go further, so I am not ready to award any records quite yet.

I am particularly struck when we look at the eligibility for training for those who are unemployed. We are in the worst round of unemployment that we have had since the Great Depression. The Vietnam veterans we know have been particularly hurt by this because of the "last hired, first fired" syndrome and for other reasons. Congress passes a law and says let's give some training help to veterans who want to help themselves. That, I would think, is the kind of thing we are telling people to do now. It is not a handout. It is training to get a job.

And what have we got? Here is a letter to Chairman Montgomery from Mr. Nimmo, dated May 21, talking about this program, where 2,455 people applied and 170 had been approved. He says in here that 13 percent have been allowed, but that is of the 1,300 claims that have been processed. It seems to me equally appalling that almost 2 months after the quarter had closed—these are figures for the first quarter, which ended the end of March. Here we are on the 21st of May, nearly 2 months after the quarter is closed, and 1,100 of these are still being processed.

I think if you look at these statistics, the conclusion is inescapable. The reason they are still being processed is that instructions were given to do everything possible to deny the applications. It does not seem to me that it takes 2, 3, or 4 months to determine whether an individual Vietnam veteran is or is not unskilled and untrained, particularly in this economy. The very fact that nearly half of the applications 2 months after the quarter ended were still hanging fire shows the attitude that has been involved here.

It is appalling to me. It is a matter of national embarrassment that Vietnam veterans, who suffered so much on behalf of their country, who find themselves now unemployed in this terrible recession, who go and take advantage of what they are told is a Federal program, are treated so shabbily, where any possible reason for turning them down is invoked, where delay is piled upon delay.

One of the things we now understand—belatedly, but we now understand it as a nation—is that in addition to the traumas that any veteran suffers, of separation from home and family, of the threat of being killed, of the necessity to fight back, of wounds, all the physical hardships, the Vietnam veterans suffered that, plus an additional psychological burden because the country scapegoated them for a decision that they were the victims of. Nonetheless, they were scapegoated for a decision that the country changed its mind about.

To say to those people, in the midst of this recession, that out of 2,455 who applied, who take their pride in their hands, who overcame the cynicism that they have unfortunately learned about this Government, who listened to people who say "please take advantage, Congress does want to respond, the country does understand now," to say, when 2,400 of them come in, to say that 170 will be given what they are legally entitled to—obviously not all 2,400 would meet the criteria—but that only 170 would be held eligible, that half of them would be forced to wait for so long for their decision, that the overwhelming majority processed would be found to be well trained and well educated?

What is the inference then—that these people don't have jobs despite training and education because there is something the matter with them? It is an extraordinarily callous approach to people who come seeking only what they are entitled to. I cannot think of anything that is likely to be more effective in undoing what little gains we have been able to make than saying to the Vietnam veterans "Yes, we do understand the trauma to which you were subjected through no fault of your own." Obviously, a similar set of questions would apply to the apparent unilateral decision by the Veterans' Administration to abrogate a congressional decision to set up a VA small business program and simply give it over to the SBA. I read the justification, and what is striking about it is its matter-of-factness. It is striking that the Administrators from the VA would come here and very matter-of-factly say, "Oh, yes, we decided, in effect, not to do that program."

Acts of Congress are not optional. Acts of Congress are not passed for Administrators to decide whether or not they are going to take advantage of them. All in all, the performance of the Veterans' Administration with regard to these efforts, to begin to provide avenues back into the economy for those who served in Vietnam, their attitude is appalling.

I am sorry that this hearing on these particular points was necessary, but I congratulate you, Mr. Chairman, for having it, and I know we will all do whatever we can to try and get across to the Veterans' Administration that when Congress says there should be help given to unemployed veterans who need training and that there should be a small business program particularly for veterans, that we meant it. The administration may think it is reasonable to play games with these people. I don't think Congress does, and I think we have to get that point across.

Thank you for having the hearing.

[The statement of Mr. Frank appears on p. 120.]

Mr. EDGAR. Thank you for your statement.

I think both of you will be pleased to know, as well as the other Members of Congress who testified, that the VA was present in the room listening and hearing your concerns and your comments, and they are available later for a strict and specific response to any individual cases that you have in your particular areas that are of specific concern. I invite both of you to stay and listen to the administration's comments.

You both have shared your views of outrage on this problem and that is one of the reasons we are holding the hearing at this time. Thank you for your testimony.

My colleague, Mrs. Heckler, do you have any questions or comments?

Mrs. HECKLER. I would just like to say to my colleague from Connecticut, I am sorry that returning from the floor I did not arrive at the committee in time to hear his testimony, but I share your concern on the issue of the Vietnam veterans. I am delighted to have both of you join the throng of us who have over the years worked very hard for veterans' benefits in every area, and certainly the Vietnam-era veterans have been my special priority since joining this committee 16 years ago.

Of course, our problems with veterans employment problems have not begun in this administration. I expressed my own outrage in the last administration when we found that Mr. Mora, who was assigned the task of working and implementing the veterans employment program, also an act of Congress, was totally inactive and produced no results and, indeed, the problems of unemployment for veterans and for especially Vietnam veterans were quite apparent then. The problem continues today and it has to be aggressively fought. I, as one member of this committee, as always in the past, will do so.

Thank you.

Mr. EDGAR. Thank you. I appreciate your coming and your statements.

I would like to ask unanimous consent that a statement by Congressman Tom Harkin be included in the record at this point.

[The statement of Mr. Harkin appears on p. 121.]

Mr. EDGAR. I would like now to turn to the Veterans' Administration. Our chief witness will be Miss Dorothy Starbuck, Chief Benefits Director, Veterans' Administration.

Dorothy, we appreciate your presence today and your listening to the Members of Congress vent some steam and concern over this issue. A number of us feel strongly on this, as you could tell by the statement that were made.

Miss Starbuck, as you prepare to testify, your statement is rather lengthy and we are going to make the whole statement a part of the record.[1] I would hope that you could, in about 15 or so minutes, summarize the cogent points of that statement so that we could move to questions. I will let you use your good jugment at this point.

STATEMENT OF DOROTHY L. STARBUCK, CHIEF BENEFITS DIRECTOR, VETERANS' ADMINISTRATION; ACCOMPANIED BY C. L. DOLLARHIDE, DIRECTOR OF EDUCATION SERVICE; STEPHEN LEMONS, DIRECTOR, VOCATIONAL REHABILITATION AND COUNSELING SERVICE; ROBERT O'TOOLE, DIRECTOR, LOAN GUARANTY SERVICE; AND JAMES P. KANE, ASSISTANT GENERAL COUNSEL

Miss STARBUCK. Thank you very much, Mr. Chairman. It is a pleasure for me to be here today.

I would like to introduce the gentlemen who accompany me. On my immediate left is Mr. Robert O'Toole, who is the Director of our Loan Guaranty Program; Dr. Stephen Lemons, who is the Director of the Vocational Rehabilitation and Counseling Service; to my right, Mr. Lew Dollarhide, the Director of our Education Service; and at his right, Mr. Jim Kane of the General Counsel's Office.

I feel something like a bomber in a combat zone, but I have a pretty good fighter escort.

You have asked, Mr. Chairman, that we discuss a number of points with you. Among those items on which you asked for information was an update on our vocational rehabilitation program, the problems that we are having with educational overpayments, of

[1] The full statement of Miss Starbuck appears on p. 124.

course the 2-year extension of the delimiting date, the small business loan program, our VEAP program, our chapter 35 education program for dependents, and our views on the VA's Omnibus Education Bill, H.R. 5673.

I would like to give you a quick review of where we are with respect to the rehabilitation program as it was updated by Public Law 96-466. When we last discussed this legislation in March of 1981, I talked basically about items that were in process, and I am very pleased today to talk with you about actual accomplishments to fully implement the provisions of that law.

We have issued to our field stations 11 very comprehensive issues dealing with the basic provisions of the law. These were issued in April of 1981 and have been published in the Federal Register. These first issues covered basically the items of legislation which became effective on April 1, 1981.

In December we issued comprehensive instructions concerning employment services in the vocational program. This issue focused on the importance of comprehensive employment planning, including a requirement for an individual employment assistance plan to be developed in each case with the veteran a full participant.

Following the appointment of the Assistant Secretary for Veterans Employment in the Department of Labor, our representatives joined with representatives of the Department of Labor to negotiate and develop a comprehensive interagency agreement which is now in final form and should be ratified very soon by the heads of both agencies.

This revised agreement, which I consider to be a rather strong one, provides a detailed outline for interagency cooperation reflecting both the Department of Labor and VA commitment to the successful adjustment, vocational rehabilitation, and employment of veterans. The Veterans' Administration and the Department of Labor have coordinated the issuance of instructions concerning the outplacement of disabled veterans outreach program personnel in both the Department of Labor sites and in Veterans' Administration sites.

This public law also established a pilot program of independent living services to enable service-disabled veterans who have been determined ineligible for pursuit of a vocational objective to achieve some greater independence in daily living. Implementation instructions were issued on this in November of 1980.

We have been authorized to provide independent living services under this program for up to 500 new veterans each year during the fiscal years 1982 through 1985. We have had some problems in developing resources and some difficulty in identifying suitable candidates, as well as sites for training, but we do hope that in this fiscal year we will approach the enrollment of possibly 100 veterans and 200 next year.

The public law also required that we submit a report to Congress no later than September 30, 1984, on the accomplishments of this program, and we do have the instructions in place to evaluate the independent living program to provide a meaningful report to Congress on its due date.

We are proceeding with a plan to develop and publish a very new and comprehensive series of regulations in this program and in the

Federal Register of April 26 we published a detailed outline of our proposed chapter 31 regulations. We propose publication in six sections. The first was published on April 29, 1982, and we are working on the other five sections.

Mr. Chairman, I am very pleased to tell you that the Administrator's Advisory Committee on Rehabilitation was appointed, and its first meeting was convened, at which time the administrator personally appeared and presented charges to the committee to assist him and the agency in the direction of vocational programs. The committee has met for a second time early this month and its report will be a part of the annual report of the agency to the Congress.

All of these changes in the legislation, of course, it required a great deal of training. I would just like to highlight some of the in-service training that we have pursued.

The first training, of course, had to do with the people who are in charge of the programs in the regional offices. We have held one national conference at which the general provisions of the legislation were covered. We are currently in the process of conducting three regional conferences. Each of these is attended by vocational rehabilitation counseling officers from each of the regional offices, and these have been really pinpointing the management of the workload in the vocational rehabilitation division, work measurement system, which is very important to measuring both the quality and the quantity of the activity, and employment services and independent living for veterans.

We have made some administrative changes in the direction of the program to improve the monitoring of the implementation of the program and the new law, together with the work measurement systems, statistical quality reviews, a systematic analysis of operations, and specific reports with respect to some of the high critical areas in the operation, specifically independent living. We feel we have gotten the program well under control, that we are getting the feedback we need, and that the people in the field are enthusiastic and are approaching this in a very empathetic manner.

With respect to the subject of education overpayments, I can report that we are experiencing a general decrease in overpayments. That, of course, relates in great proportion to the general decrease in the number of GI bill trainees. Our record this year is better than last, and while we have less overpayments on hand, there is a slight increase in the amount of money that is due and that is basically caused by the last increase in benefit payments which totalled a 10 percent increase.

Public Law 96-466 gave the Administration authorities which would increase the ability of the agency to collect. One of those was the offset from current benefits. But this is an authority we have always exercised and we are continuing to do this to recoup moneys that are due the agency.

As you know, we do have, in accordance with an agreement with the Department of Justice, the authority to refer to our district counsels for enforced collection of debts that are less than $1,200. We also refer debts in excess of that amount to U.S. attorneys. During the life of this program, under this agreement, we have re-

ferred to our district counsels in the regional offices 174,000 overpayment cases. They have successfully processed to collection or compromise 54,000 of those accounts.

Impementation of two rather dramatic portions of the bill has been delayed because of our inability to acquire in place in St. Paul, where our centralized accounts receivable system is located, sufficient computer capacity to accommodate the additional information that was required.

The VA currently, in accordance with OMB directives, has established a point person in the agency who is responsible to the Administrator, through him to the Office of Management and Budget, for implementation of an agency debt collection plan which was submitted to OMB in 1981 and has been approved.

This plan basically outlines seven tasks for the agency to do. The first was to transfer from our individual regional offices all of those overpayment cases which had not been established on the computerized system at St. Paul. This was completed in October.

The second was an expansion of the master record of the collections, and we had targeted this task to be completed in January and this was completed on schedule.

The third was to reactivate terminated accounts receivable, and these were accounts on which collection action had previously been discontinued because of inability to obtain response from a debtor. In May of 1982 we re-activated 654,860 education accounts and we will be re-activating compensation and pension acounts which have previously been terminated.

The two tasks of charging interest and administrative cost of collections has been a very difficult project to get underway. We do have this on our schedule. Our actions are on target and the completion date of November of 1982 is expected for our education accounts and October of 1983 for the compensation and pension accounts.

The sixth task, the referral of C. & P. payments and loan guaranty default indebtedness to the Department of Justice and district counsels, we expect to be on schedule. It is targeted for completion in January of next year.

The final task, the referral of debts to consumer reporting agencies, is a rather complex issue for us and is further complicated by the fact that we will probably have to contract with at least five and possibly more consumer reporting agencies to get nationwide coverage on all of the indebtedness. A request for proposal has been issued to determine the capabilities of the consumer reporting agencies to assist us in this effort. We do have this project targeted for August of 1983 and anticipate that we will remain on schedule with respect to that.

Turning now to the 2-year delimiting date extension, we have, as you have heard this morning, issued instructions to our regional offices which have been categorized as too restrictive. Our instructions covered veterans who do not have a high school diploma or to those who are found to be in need of vocational training or on-the-job training. In order to receive benefits beyond the delimiting date, whether vocational, apprenticeship or other on-the-job training, we have determined that a veteran must need the training to achieve a suitable occupational or vocational objective either be-

cause they are unskilled or because they are unemployed as well as unskilled.

In our review of the legislative history, we gave particular attention to the expressed intent to extend the delimiting date to allow pursuit of a program of apprenticeship or on-the-job training or a program with a vocational objective in mind, or pursuit of a secondary education.

We looked at this amendment as a way to provide a limited extension to those veterans who, within their original ten-year delimiting date, were not able to use their benefits to achieve either the education or the skills necessary to enter the workforce. It was not our belief that Congress intended to provide a general extension of the GI Bill to veterans who possess relatively extensive educational backgrounds or to those veterans who have a marketable skill, but who, despite that, are currently experiencing unemployment within the economy.

The eligibility criteria contained in the circular did focus on those who did not have a high school diploma or its equivalent, and those who are unemployed or underemployed because of a lack of education or vocational skills.

We have, of course, required individual eligibility determinations, and our procedures do require a formal administrative decision which is subject to review at the middle management level in our adjudication divisions. We do provide, at the request of any veteran, a determination to be made by a professional psychologist with respect to his skill level.

Mr. EDGAR. Would you yield at that point?

The bells have rung for a second time and I must run over and cast a vote. We will have to stand in recess for 10 minutes.

Miss. STARBUCK. Very well, Mr. Chairman.

[Whereupon, the subcommittee was in recess.]

Mr. EDGAR. The subcommittee will come to order. Again we will proceed. Miss Starbuck, you can continue where you left off.

Miss STARBUCK. Thank you, Mr. Chairman.

I would like now to cover veterans educational assistance, which is under our chapter 32 or the contributory program and the chapter 35 program, which is educational benefits for dependents.

At the end of fiscal 1981 we had over 260,000 participants from the military in the contributory program. We expect this number to increase to something in excess of 500,000 by the end of fiscal year 1985. During May of 1982 we had 8,181 individuals in training, the majority of whom were in institutions of higher learning.

In the dependents education program——

Mr. EDGAR. May I interrupt you for just a second?

Miss STARBUCK. Sure.

Mr. EDGAR. I probably should not do this, but I read your statement about VEAP and another matter we are concerned about, a new GI Bill for the All-Volunteer Military and whether VEAP is working or not working.

Has the VA made any subjective determination as to whether the program is a good one or a bad one? I see the statistics here, but I am wondering what your general feeling is about the program.

Miss STARBUCK. I think the voluntary education program is a good program, Mr. Chairman. I think it has suffered in these economic times. The rate of disenrollment has been disappointingly heavy, but for those who have made their contributions, we feel the level of participation is good and we do consider it a good program.

Mr. EDGAR. Would you include the current statistics on disenrollment for the record at some point?

Miss STARBUCK. I would be happy to, Mr. Chairman.

Mr. EDGAR. Have them about a year ago or 6 months ago. It would be helpful if you could give us a percentage of disenrollment from the program because of the economic conditions.

Miss STARBUCK. We would be glad to give you an update on that.

[The following was subsequently submitted for the record.]

In fiscal year 1981, there were 61,680 disenrollments from the program. Through May of this year there have been 48,534 disenrollments and at present, we estimate that disenrollments will reach 74,400 for fiscal year 1982.

It is not known exactly how many individuals disenroll because of economic conditions, but a study done in early 1980 showed that 35.1 percent of individuals who disenrolled or discontinued contributions did so for financial hardship.

Mr. EDGAR. Thank you. You may proceed.

Miss STARBUCK. In the dependents education program we had, as of April 30 of this year, 57,261 active trainees. Here again, as in most of our programs, 52,000 of those were attending institutions of higher learning. During all of fiscal year 1981, we had 94,594 individuals who trained as dependents of totally disabled or deceased veterans. This, of course, is a declining population and we project at the end of fiscal 1985 this number of trainees will fall to about 85,000.

I would like now, Mr. Chairman, to turn to the VA business loan program which was established under Public Law 97-72. The law did establish a revolving fund and did authorize a maximum of $25 million to be appropriated to that fund. Also, there was a provision for separate appropriation of $750,000 authorized for use by the VA for expenses incidental to the establishment of the program.

As has been mentioned, there have been no funds appropriated in either of these accounts for fiscal 1982 and none are expected in fiscal 1983. Despite the lack of funding, however, representatives of the VA have moved toward implementation of the program. This is one modeled after the SBA program and representatives of the Department and the Office of the General Counsel have met with representatives of the Small Business Administration to discuss their experience with this type of program. We feel these meetings have been most helpful in our understanding the complexities of business financing.

We have drafted a set of business loan regulations which basically are based upon existing SBA regulations and the advice that has been provided to us by SBA personnel. We expect that the regulations will be published for public comment in the very near future. Our efforts will ensure that this new program will accomplish the dual goals of assisting veterans to obtain small business loans while protecting the Government's interest.

I think we all should take note of the fact, however, Mr. Chairman, that shortly after the enactment of this legislation the Small Business Administration did establish a task force to make recom-

mendations on methods of providing special considerations to veterans within the SBA program. The task force that was established in SBA included personnel from the Veterans' Administration.

The task force has recently completed its study and has submitted numerous recommendations to the Administrator of the SBA for implementation. The Veterans' Administration supports the recommendations of the task force and we believe that these recommendations will provide meaningful Federal assistance to veterans in obtaining business loans and assure that they receive the special consideration mandated by the Small Business Administration law.

I would like now, Mr. Chairman, to turn to the omnibus education bill and briefly sketch for you our position in support of this bill which was introduced by Chairman Montgomery.

We are recommending that the provision requiring vocational schools to report on the number of their graduates who during the preceding 2-year period have obtained employment in the field for which the school provided training, be repealed.

The number of veterans enrolled in vocational training has drastically dropped from some 600,000 in 1974 to 129,000 in 1981. The number of courses which have had to be disapproved as a result of failure to meet the employment criteria has dropped from a rate of 25 percent to about 3 percent. We believe the provisions of the law have had a salutary effect and have reduced the number of courses which are not providing appropriate training.

Elimination of the preparation and the filing of these reports would save many man-years of effort on the part of the schools, the State approval agencies, as well as the Veterans' Administration.

We propose modifying the procedures for making payments to veterans and dependents who are incarcerated for conviction of a felony. We would continue to withhold subsistence benefits to veterans pursuing vocational rehabilitation and pay only educational costs to such veterans, as well as limit payments to educational costs to veterans and dependents pursuing education under chapters 34 and 35, the same as in the current law.

We would eliminate, however, the need for a determination as to whether a veteran or dependent, who is in a work release program or a halfway house, is having all of his or her living expenses defrayed by some other governmental unit. This verification has been very difficult and very time consuming and we do not consider it cost effective. Eliminating the determination would permit payment of an allowance to such individuals as a part of their readjustment process.

We also propose repeal of the so-called Sawyer amendment, which requires us to make a determination as to the type of conviction and whether the payments are being made by some other Government unit. This has posed many administrative problems for us, and where the conviction is for a misdemeanor, for example, the individual could be released from custody in a short period of time and making any needed adjustments in benefits generally in very small amounts, is very time consuming and not very cost effective.

While our proposal does represent something of a liberalization of current law, it nevertheless will still accomplish the basic goal of

preventing these funds from being used for illicit purposes while the individual is actually incarcerated.

We would also authorize the Administrator to discontinue the payment of educational benefits where he finds that a school is in serious violation of fundamental statutory approval or has failed to adhere to recordkeeping and reporting requirements. Termination would not be made, however, until after the school has been notified of the problem and has had a reasonable period of time within which to correct it but has failed to do so. Under current law, we cannot terminate or suspend benefit payments unless we have evidence that each veteran or dependent in the school is not entitled to payment of benefits. We would, of course, retain the requirement that each individual whose benefits would be affected is notified and given reason for the action taken.

We propose to end the requirement that the Administrator report to the Congress on a school-by-school basis on the education loan default rate. The loan program has been drastically curtailed by the Congress and the compiling of these school-by-school statistics has proved administratively costly. We would, of course, continue to report on the overall default rate to the Congress, but believe that such a detailed report is not required.

We recommend reducing from 2 years to 180 days the period of time within which a veteran or dependent may request a waiver of recovery of a VA overpayment. We believe a period of 180 days is sufficient and would be to the advantage of both the veteran and to the VA in that incidents surrounding the overpayment would be more readily recalled to his or her mind as well as having our records updated.

Mr. Chairman, we again urge the Congress to terminate the correspondence training program. We continue to maintain that this type of training has not met the objective of providing substantial employment for those trained. We would urge the Congress to take the one final step, to terminate this program once and for all.

There are other changes, Mr. Chairman, which are technical in nature. I will not take the committee's time to review them now. They are spelled out in my prepared statement. I would, however, call to your attention a new legislative proposal we have just submitted to the Congress. This would allow the VA to use the so-called VEAP account which was established in the Treasury for the deposit and payment of VEAP benefits, for the deposit and payment of educational benefits under the so-called 901 program as well. This is a new program established in 1980 to encourage recruitment and retention of individuals in the Armed Forces. It would give benefits to a limited number of individuals who enlisted between October 1, 1980 and October 1, 1981.

Since we already have the automated VEAP account, allowing a second use of this account while assuring that the funds would not be commingled would be beneficial to us. The Department of Defense funds this program and the VA administers it.

Since the first individuals under this 901 program become eligible on December 1, 1982, there is some urgency to our request that this additional provision be added to and enacted as a part of the omnibus provisions that we have supported here today.

Mr. Chairman, this concludes my summary of the statement. The gentlemen who are with me and I will be very pleased to receive and respond to your questions.

[The full statement of Miss Starbuck appears on p. 124.]

Mr. EDGAR. Thank you very much.

I have a number of very detailed questions to ask. Let me just say a couple of things first.

The 901 program that you list out in the end of your statement as an urgent program, I am sure we will consider that the day after the administration shows its eager support for H.R. 1400, which is the bill that we are pursuing for establishment of a new education program for the All-Volunteer Military. I am sure we would be much more excited about that if we got some cooperation on that issue. That is not the issue of today. We are very pleased that you have come in such a comprehensive way and presented your statement.

A recent Washington magazine article pointed out that you were 1 of the 100 most powerful women in Washington, and I would like to yield to one of the other 100 most powerful women in Washington to begin asking questions at this time. I yield to my colleague from Massachusetts.

Mrs. HECKLER. I thank my colleague for yielding.

I want to congratulate you, Miss Starbuck. I really believe the Veterans' Administration could not function without you.

Miss STARBUCK. Thank you, Mrs. Heckler, very much.

Mrs. HECKLER. I believe your confidence is well demonstrated by the record over the years.

Obviously, we have two major concerns today. They have been elaborated upon. Although your statement is much more comprehensive than the issues raised, I think the two most gnawing questions are, indeed, the employment question for Vietnam-era veterans' as well as the small business issue.

Obviously, we go back many years on the whole question of veterans employment, and somehow it has been extremely difficult to effectively implement the mandate of the Congress, not only because of personnel problems to which I alluded earlier, but for some reason the program itself has never received the impetus that I believe it deserved.

You mentioned in your statement the creation of a new interagency relationship, et cetera, and I think, from the perspective of one who is in the bureaucracy, that that may appear and may, in fact, be a real step forward. But from the perspective of the Congress, it is just another committee looking at the problems again.

I wonder if you could give me an update on this whole question of veterans employment and then, secondly, on the issue of the regulations for the Vietnam veterans employment as the most recent legislation mandated it. The regulations obviously stimulated a broad response; however, many were called and few were chosen. Why, and are these regulations subject to review?

On the broader subject, though, if you could begin with that and give us an update to the best of your knowledge, with our full understanding that this is not exclusively within your area obviously, but it's an interrelationship between the Veterans' Administration and the Department of Labor.

Miss STARBUCK. I feel, Mrs. Heckler, that we have worked out a very good understanding between VA and the Department of Labor. I agree with you, that in past years we have struggled without success to get a complete agreement, and I feel that today we have one that is ready now to be signed by the heads of both agencies. I would make the commitment that when this agreement is signed, within 180 days of that signature our regional office directors will be meeting with State employment directors to implement the national agreement on a local level.

Mrs. HECKLER. What is the difference between that agreement and the procedure that had been in place earlier? How will this new agreement change the pace or perhaps imbue new life into a program that absolutely has been stalemated and stagnant for years?

Miss STARBUCK. Perhaps it would be helpful, Mrs. Heckler, if I asked Dr. Lemons to comment on that. He has been much involved in the negotiations between the Department of Labor and the Veterans' Administration in hammering out this agreement, and both he and Ed Green of our Veterans Assistance Service have worked very diligently on this. I think they are both enthusiastic about the possibilities for success with this.

Dr. Lemons.

Dr. LEMONS. Thank you.

The essential differences in this agreement over prior agreements is that it does call for the enactment——

Mrs. HECKLER. Dr. Lemons, what is your title?

Dr. LEMONS. I am the Director of Vocational Rehabilitation and Counseling Service.

It provides for the establishment of State and local agreements to implement the operations and principles established in the national agreement. We feel that in this manner we can provide for operating instructions where the real frontline duty is needed, and in addition will provide us feedback at the national level for constant oversight of the agreement and periodic updating of the agreement to reflect not only changed legislation and frequent changes in reorganization and organizational elements at the national level, but will allow us to be more responsive to the changing requirements and resources that are available at the State and local level.

Mrs. HECKLER. Dr. Lemons, do you know the number of unemployed veterans presently in the economy? Do you have that figure available?

Dr. LEMONS. This figure is as of April 1982, and it showed that the April veteran unemployment rate was 2.6 percentage points higher than a year ago. It showed by——

Mrs. HECKLER. Higher than what?

Dr. LEMONS. Than it was a year ago.

It showed an unemployment rate for all Vietnam-era veterans in April 1982 to be 8.7 percent as opposed to 6.1 percent in April 1981. There is, of course, a high level in the age 20–24 Vietnam-era veteran. The unemployment rate was 18.6 percent in April 1982, and that is down 5 points from what it was a year ago.

In the age 25 to 29——

Mrs. HECKLER. What was the figure a year ago?

Dr. LEMONS. The figure a year ago was 23.7. It is 18.6 in April of this year. It is down 5.1 percent.

Mrs. HECKLER. That is in what age group?

Dr. LEMONS. Age 20 to 24.

In the age group 25 to 29, it is up 8.1 percent, from 9.3 to 17.4. In the age 30 to 34 group, it is up 3.6, from 5.7 to 9.3. And in the 35 to 39 age group, a difference of 1.1 percent, up from 4.9 to 6. And in age 40 and over, it is up 2 points, from 3 to 5.

Mrs. HECKLER. To return to you, Miss Starbuck, I wonder, really, what is your response to the fact that so few veterans have been actually brought into the program, where the regulations have been promulgated, are considered so detailed and restrictive as to contradict the intent of the Congress?

Miss STARBUCK. To date, Mrs. Heckler, we have received in our regional offices 4,547 applications for extension of the delimiting date. We have approved 546 of those, have denied 2,689 of them, and have 1,312 still pending action in the regional offices.

Of the 2,689 that were denied, 405 of these individuals were not considered to be educationally disadvantaged. In other words, they had something beyond a high school education.

The 1,359 were considered not to have been unskilled and requiring training, and 925 were disallowed for other reasons, and some of those could have been the fact that they had, in fact, utilized their total entitlement prior to their delimiting date. Some, of course, were disallowed on the basis of character of discharge and other reasons.

Mrs. HECKLER. It would seem, without being specific and precise, that not even 20 percent of those who apply are going to receive the benefits.

Miss STARBUCK. Yes; out of the 4,547 who have applied, we have approved only 500.

Mrs. HECKLER. Doesn't that record indicate that the regulations themselves are out of step with the purposes of the program? Can it be that 80 percent of the veterans who are unemployed, who seek assistance under this program, are truly not qualified?

Miss STARBUCK. Not qualified for an extension of the delimiting date, that is very possible. Because as I said, we were dealing basically with veterans who have less than a high school education, who are unskilled, or who are unemployed and unskilled as well.

I know that our regulations are perceived as very restrictive, but they do represent what we have interpreted as the intent of the law in providing for those most in need of additional training, rather than those who are in the labor market but unemployed, who could conceivably divert their skills into another avenue.

Mrs. HECKLER. Obviously, the issue of the period of the eligibility is susceptible of very precise response, that one is or is not eligible, or the period has expired or it has not, on a very clear calendar basis.

But in terms of the other criteria, they are very judgmental, and it would seem that in terms of the judgments exercised on the issue of skills, unskilled, it is a value judgment. It would seem to me that a very vigorous standard is applied that so many veterans who are unemployed are not found eligible. I would say that that alone suggests the regulations do not reflect the desire of the Congress, who

actually used this program to provide training for those who have difficulty in this economy and need for the skill development. I just think the numbers are very indicative of a serious problem.

Mr. EDGAR. Before your response, just to be conscientious on our part and for our ranking Republican member, the vote is on and we have about 8 minutes to get over for response to a bill that you are very interested in. So I think we ought to recess at this point for——

Mrs. HECKLER. Mr. Chairman, would it be possible, since I have to speak on this bill on the floor, would it be possible to have Miss Starbuck respond just to that question at this point?

Mr. EDGAR. OK. Let me make you "deputy chairman." She may respond and I will disappear for the vote. Is that OK?

Mrs. HECKLER. All right, and I shall join you.

Miss STARBUCK. I have listened to the statements that have been made here this morning, Mrs. Heckler. Without making any promise that would in any way change our position, I would make the commitment to you and to the committee that I will, out of those disallowed cases, I will pull 10 percent of those cases into Central Office and we will have them reviewed. If there is any indication that perhaps someone is tightening the screws tighter than it was intended, that corrective action will be taken.

However, again I would say, without making a commitment to any change, certainly I think we do owe it to the committee to assure you that our oversight assures that our regional offices are following the instructions as they have been written.

Mrs. HECKLER. [presiding]. I would appreciate that response. I would also request that you include your evaluation of the competence of the criteria to meet the general purpose of the Congress——

Miss STARBUCK. I would be pleased to do that——

Mrs. HECKLER [continuing]. With the obvious information that you have gained from the committee today and from the witnesses.

Miss STARBUCK. I would be pleased to do that.

Mrs. HECKLER. Thank you very much.

We will stand in recess.

[Whereupon, the subcommittee was in recess.]

Mr. EDGAR [presiding]. The committee will resume its sitting. I do not anticipate Mrs. Heckler to return because of the importance of the bill that is on the floor that she is involved with, but I have a few questions that I would like to ask myself.

First I would like to ask unanimous consent to include in the record some employment statistic figures, particularly for Vietnam veterans, effective as of May of this year, similar to but slightly different than the figures which you shared. They are a little updated.[1]

Mr. EDGAR. Also, I would like to include in the record at this point two pieces of correspondence, one by Senator Cranston, who was invited to these hearings and to participate, and also the response to that letter by Administrator Bob Nimmo relating to the questions that we are dealing with today, and we may refer to those letters in the future.

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[1] See p. 133.

Without objection, that will be made a part of the record.[1]

Mr. EDGAR. Miss Starbuck, Mrs. Heckler was getting to the heart of some of these issues as the bells were ringing and people were flurrying all over the place. I may ask you questions that are similar but not identical to the ones that she was pursuing.

First, can you give the committee a breakdown of the utilization rates to date of Vietnam-era veterans accepted for training under the targeted extension of the delimiting date enacted by Public Law 97-72? How many claims accepted were for non-high school graduates, and how many fall in the unskilled category?

Miss STARBUCK. I will let Lew Dollarhide respond to that.

Mr. DOLLARHIDE. Mr. Chairman, in those cases we have decided and determined educationally disadvantaged—in other words, they do not have a high school diploma—we have allowed 191 cases. We have determined they are not educationally disadvantaged for the reason they do have a high school education and, therefore, not eligible, in 405 cases.

Mr. EDGAR. What is the total amount budgeted for the program for the Veterans' Administration in fiscal 1982?

Mr. DOLLARHIDE. That account would be in readjustment benefits, so that would be included in the overall readjustment benefits appropriation for all educational benefits. So no specific amount is budgeted.

Mr. EDGAR. But you ought to be able to figure out how much it is going to cost you for the number of people you have approved through this year, even though it is part of that larger figure, and how much you are going to spend. Is it $2 million, $5 million, $10 million, $20 million?

Mr. DOLLARHIDE. We can furnish that for the record.

Miss STARBUCK. We could work that up for the record.

On those who have been approved, as Lew mentioned, 191 of them were educationally disadvantaged and 355 of them were found to be unskilled. Now, assuming that these individuals—you know, in order to develop a cost figure, we would have to get dependency on each one of these and the rate of payment and the rate of pursuit. But we can develop that for you for the record, Mr. Chairman.

Mr. EDGAR. And it would also be helpful if you would give us a cost estimate for 1983 as well, because we ought to know how much you anticipate, given the experience of the first two quarters of the program, expending in 1983.

Miss STARBUCK. We can do that, sir.

[The information follows:]

The cost of training for the 546 veterans approved as of the end of May is projected to be about $1.1 million. Anticipating the approval of additional veterans before the end of the year, we expect costs to be about $2 million for fiscal year 1982.

Without the benefit of any experience on which we could make a sound estimate, we provided for 47,500 trainees at an estimated cost of $68.7 million in fiscal year 1983. Based upon current experience and on the basis of our review, figures may need adjusting during the fiscal year 1984 budget process.

Mr. EDGAR. What was the budgeted amount that you anticipated spending in fiscal 1982?

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[1]The letters referred to appear on pp. 133, 136.

Miss STARBUCK. Well, initially, as was mentioned this morning, the first estimate was that we would have a far greater number of persons taking advantage of this than have surfaced so far. I believe that the original estimates—and one of the witnesses this morning mentioned a Congressional Budget Office estimate of 40,000—but we have not yet reached 5,000 applications for the program. So——

Mr. EDGAR. What did OMB estimate that the cost of the program would be for fiscal 1982?

Miss STARBUCK. I would have to provide that for the record, Mr. Chairman. I don't——

Mr. EDGAR. It would be helpful if you would provide that for the record, as well as 1983. It is my understanding that the program was not only authorized but it was appropriated, and there were funds appropriated for this specific purpose. Is that incorrect?

Miss STARBUCK. No; that is not correct, sir. The funds for this program would be a part of the readjustment benefits allowance which is given to the agency. This just merely comes out of the educational program funds.

Mr. EDGAR. This committee authorizes and sets aside so much funds for a particular program. Do you recall what that figure was?

Mr. DOLLARHIDE. For all educational benefits, readjustment benefits, it was $1.8 billion, I think, Mr. Chairman.

Mr. EDGAR. Do you remember what the line item was for this particular program? Because this is a new program, and because we put it into law in November of last year, some of us were pretty interested in it, so we made sure that the cost estimates and the budget estimates went to our Budget Committee and when through the process and were available, so that you couldn't come back in the future and say, "Well, we just didn't have the funds for the program."

Miss STARBUCK. Oh, no. There was no question of funding, and I am sure, Congressman, that we did cost this proposal specifically. I will be very happy to look that up and provide it to you.

Mr. EDGAR. It would also be helpful to know what the OMB estimate would be for the 2-year use of the program. As they were preparing their dissenting views and objecting to the program, they were throwing around some cost figures in estimation of how much cost it would be if this program by chance were put in place. It would be helpful to have some of those figures for our record.

Miss STARBUCK. Yes, sir.

[The information follows:]

Our estimate for this program was $48.6 million in fiscal year 1982, with a cost of $133.5 million over the 2-year period. It is our understanding that OMB accepted this figure as well.

Mr. EDGAR. What is the actual estimate per award for training under the program on which you based your estimates? How much do you anticipate each of the recipients will be receiving?

Miss STARBUCK. As a general rule, for a person in the education program we figure his benefits payable at about 1.6 persons. That sounds a little odd, but that is what it averages out to. The rate of

payment would be something in excess of—you would approach about $400 a month while the individual is in training.

Mr. EDGAR. What would be the average total number of months that that person would be in training, in your opinion?

Miss STARBUCK. Nine months.

Mr. EDGAR. So it would average $400 times 9 months?

Miss STARBUCK. Right.

Mr. EDGAR. Can you give us some background on how the regulations were developed?

Miss STARBUCK. Well, the regulations were developed, of course, in consonance between the program and the General Counsel's Office. Both Mr. Kane and Mr. Dollarhide have become very much involved in working toward the development of regulations. There is a great deal of repartee between the two before regulations are finally prepared for publication.

I would ask, if either of these gentlemen would like to be more deeply responsive to you, that they speak.

Mr. EDGAR. Mr. Kane?

Mr. KANE. Basically, when we get together on something like this, there are two initial questions. One, what is the policy, and two, what are the legal requirements. Once the policy is decided, at least informally at the program level, we will sit down, Mr. Dollarhide and his staff and my staff, and go over what they propose, the direction they want to go, and then our staff people will get together and start drafting the circular or the regulation.

Once we have a draft, we sit down around a table and go over that, see that it is going in the direction they want to go, and see if they have stayed within the parameters of the law.

Mr. EDGAR. Did you, in preparation of the regulations, review legislative intent?

Mr. KANE. We tried to, yes, sir.

Mr. EDGAR. Did you receive any instructions or guidelines from the administration on the shape or scope of the regulations?

Mr. KANE. I have received none, no.

Miss STARBUCK. Nor did I.

Mr. DOLLARHIDE. Negative for me.

Mr. EDGAR. How about from the Administrator?

Miss STARBUCK. None from him, sir.

Mr. EDGAR. Did the Office of Management and Budget give any direction to the Veterans' Administration on how these regulations should be developed or how the program should be administered?

Miss STARBUCK. No, not to my knowledge, sir.

Mr. EDGAR. Did they give you any direction as to how much money could be spent?

Miss STARBUCK. No, sir.

Mr. EDGAR. Were there any considerations of budgetary restraint in the promulgation of the regulations?

Miss STARBUCK. I would say no deliberate restraint. What we intended—and I did talk with Lew about this—was that we wanted the program to be in accordance with the law as it was passed and meet the intent of the Congress in it, and there was no intent to say that this was a "budget buster" or anything of that kind.

Mr. EDGAR. Have you ever implemented a program similar to this before?

Miss STARBUCK. This is the first extension of eligibility that we have had. Probably the last similar program was when the rate of entitlement or the total amount of entitlement was increased from 36 to 45 months for individuals. That would have been the closest thing to this that we have experienced.

Mr. EDGAR. That was an across-the-board benefit?

Miss STARBUCK. That is correct, Congressman.

Mr. EDGAR. You state in your testimony that you allow for individual eligibility determinations in reviewing these claims. After reviewing your regulations, it would appear to me that the veteran would either fit in a category as being skilled, using your criteria, or unskilled according to your numerical code. He either fits your mold or he doesn't.

What individual eligibility determinations do you use? Do you consider other factors other than the SVP code in the Dictionary of Occupational Titles?

Miss STARBUCK. That is our basic reference, Congressman.

Mr. EDGAR. What about the statement of psychiatrists and psychologists? The original bill passed by the House left the determination to the judgment of a vet center, State employment office, or similar entity. You include in your statement a discussion about psychiatrists or psychologists determination.

Miss STARBUCK. In my statement I made reference to the fact that a person applying for an extension would have available to him the services of a counseling psychologist or psychiatrist. We have not been able to track in the system so far references to the regional office of individuals from outreach centers, from persons in outreach centers, who come to us to apply for an extension. We have not been able to track that yet.

Mr. EDGAR. Why is that?

Miss STARBUCK. Well, I guess from a standpoint of 20/20 hindsight, we just didn't set up the mechanism that would require an outreach center to keep track of individuals referred to the regional office as a person possibly eligible for extension of the delimiting date. We have asked that such figures be developed, but we have not yet received any.

Mr. EDGAR. Before I yield to my colleague who has arrived to give his statement on this issue, I do have an important line of questioning I would like to pursue, and then I will yield to my colleague from Nevada and come back to some questions.

I would like to talk to you about the "batter mixer" case. I am sure you're going to be familiar with this case. It's an exciting opportunity for you to pursue.

Let me give you an example of one particular case and work this individual problem through your regulations so that I understand it as fully as I can.

The Vietnam veteran application for job training was denied because he had worked for a time as—and I am going to underline this—as a batter mixer at the Tastey Baking Cake factory in Philadelphia. Of all the jobs he had held in his life, that was his highest level of employment. He was a batter mixer.

Now, let me act as a VA adjudicator using your regulations and reference guides to locate and grade this individual and his employment skills.

First I would like to read from the regulations and submit these regulations for the record.[1] Let me be accurate here. This is December 22, 1981, Circular 22-81-15, appendix A, and this is only part. It is called "Guide for Locating SVP's, Specific Vocational Preparation, Codes for Specific Jobs."

One, "An SVP Code for a job may be located by finding the DOT title for that job in Part A of the Selected Characteristics of Occupations defined in the Dictionary of Occupational Titles, hereafter referred to as Selected Characteristics of Occupation." Document No. 1.

In appendix D of the above publication there is a full explanation of the SVP Codes. In part A, jobs are grouped according to related characteristics. For example, the job of the helper in a dry cleaning operation can be located directly by referring to the job grouping "Laundry, Dry Cleaning, pages 211 to 212 in part A." The specific title for that job is "Dry Cleaner Helper" (DOT Code 362.686-010). The SVP Code for the job is indicated as .2 in the right column.

If it is difficult to find a job in part A of selected characteristics of occupation, the job may be located by referring to Industry Index, pages 1363 to 1367 in the Dictionary of Occupational Titles. Copies of this publication are located in the VRNC and the liaison activity. Additional copies may be obtained from the Superintendent of Documents, U.S. Government Printing Office.

This index lists categories of industries alphabetically and provides a reference to jobs within a specific industry in the section designated, Occupation Titles Arranged by Industry Designation, pages 1157 to 1361. Within each industry designation jobs are listed by DOT title and code.

(a) In the example of the helper in the dry cleaning operation, the DOT Code can be found by locating the industry title in the industry index. In the industry index, pages 1363, the cleaning, dying and pressing industry is shown to be located on page 1201. Under this title beginning on page 1201 the listing of the jobs within the industry can be found. The title "Dry Cleaner Helper" can be located in this group of similar related jobs. DOT Code of 362.686-010 can then be obtained.

(b) Once the DOT Code is determined for the specific job, the SVP Code can be located by first referring to part B of the selected characteristics of occupation. This section—this is the second document—this section lists jobs numerically by DOT codes. The DOT code provides a reference of a GOE, Guide of Occupational Exploration, a code by which jobs are grouped in part A.

(c) In the example of a dry cleaner helper, DOT Code 362.686-010, provides a reference to GOE Code 06.04.35 in part B. The listing under the GOE Code, 06.04.35 in part A, indicates that a dry cleaner helper has an SVP Code of 2.

Every job that ever was is listed in this book and graded by an SVP Code and skill level. The Dictionary of Occupational Titles, 4th edition, was printed in 1977. We have two references to sections in this book. We refer to the Guide of Occupational Explora-

[1] Retained in Committee files.

tion finding the category for baker—remember, we are back to the batter mixer case—finding category for baker under various codes.

Then we turn to the third volume, Selected Characteristics of Occupational Titles for equipment operation, food processing, and find an additional code, and then realize that a batter mixer of a skill level of a 1 to 8 is rated as a 4. Any job related over a 3, you and the Veterans' Administration consider to be skilled, so this veteran was automatically disqualified because in this elaborate maze of books and titles and documents he stumples across a 4.

Question: What makes a batter mixer a 4?

Miss STARBUCK. I don't know. [Laughter.]

Mr. EDGAR. Let me ask this question.

If the veteran was a batter mixer in 1972, or in 1962, for that matter, would he still have that skill level of a 4, especially if the Tastey Baking Co. factory closed down and there were no available jobs for a batter mixer?

Miss STARBUCK. Are you saying he had been unemployed, say, since 1974 and that was the last job he held?

Mr. EDGAR. Let's say the highest skill level that he had held was that of a batter mixer, that he left in 1972, or in 1962, and went off to the Vietnam war. He came back and his highest level of vocation was that of a batter mixer. Because he had been a batter mixer at some point in his life or background, under your regulations he is terminally disqualified from this program because he has a skill level of 4.

Miss STARBUCK. I would think not, Congressman. I would think not.

Mr. EDGAR. You would think that the VA would be——

Miss STARBUCK. I would hope that our judgment would prevail in that, Congressman.

Mr. EDGAR. It didn't in this particular case, at the Philadelphia Multi-Purpose Center. This particular individual was denied qualifications under the program.

Miss STARBUCK. If I may have the name and claim number of that veteran, I would be very happy to take a look at it.

Mr. EDGAR. It brings a larger question—and I apologize for going through all of that regulation——

Miss STARBUCK. You read it very well, sir. [Laughter.]

Mr. EDGAR. I appreciate that compliment.

Let me just rephrase the question, but more briefly. Let me deal with the textile industry in Philadelphia.

There are a number of veterans who are highly trained and marginally trained in skills for the textile industry, but that industry has pretty much closed down in our particular area. There are no available jobs and no way to translate the work experience they had as skilled or semiskilled persons in the textile industry. The industry no longer exists in that region or that area of the country. They have the mobility to move to the Sun Belt and to move to other places where that industry may be really good, and in some instances that industry has moved offshore.

Under the regulations, as I understand them, somebody was a skilled or semiskilled person in a job, in an industry like the textile industry, or some other that became obsolete for his immediate region, there would be no way that he could qualify for this partic-

ular program. Even though the legislative intent was agreeably to target the program, but to target it to those who are unskilled or marginally skilled Vietnam-era veterans who have a high level of unemployment, who need help, and through the regulations that were developed, as efficient as they are, people like this are all disqualified.

Miss STARBUCK. I'm going to have to take a look at that, Congressman. I will.

Mr. EDGAR. OK; let me yield to my colleague from Nevada. I apologize for taking the time and appreciate your taking the time to come. We look forward to hearing your statement. I will ask the VA to be patient with us as our colleague shares his comments.

STATEMENT OF HON. JAMES SANTINI, A REPRESENTATIVE IN CONGRESS FROM THE STATE OF NEVADA

Mr. SANTINI. I thank you for permitting me to intercede here, Mr. Chairman. I thank you also, Mr. Chairman, for sharing with me that walk through the labyrinth of bureaucratic "bafflegab." It's a little wonder that anybody is qualified for any benefit under any circumstances if a poor GS-12 is expected to give some intelligible translation to that sequence of page references and number references.

As a member of the Vietnam Veterans in Congress Caucus, I do take a deep personal interest in the thrust and direction of this committee's inquiry, and I applaud the committee for taking this initiative.

I would request, Mr. Chairman, that my entire testimony be entered in the record and I will proceed to summarize.

Mr. EDGAR. Without objection, your entire statement will be made a part of the record.[1]

You should know, Mr. Santini, that Congressman Panetta, Congressman Bonior, Congressman Florio and several others have come and have testified strongly. I mentioned at that time my great respect for the congressional caucus that was formed to focus on the needs of Vietnam veterans. I mentioned that in earlier comments.

Mr. SANTINI. It is obvious there has been, by inaction, a dilution of certain provisions contained within Public Law 97-72, the Veterans Health Care, Training, and Small Business Loan Act of 1981. It has always been my position, and I believe the position of a significant majority of the U.S. Congress, that the U.S. Government must share responsibility for the health and readjustment problems encountered by veterans as a result of their service to this country, particularly in time of war. We are not seeing that implementation in the case of this law.

According to the VA's own spokesman, "because the Veterans' Administration does not have any expertise in the area of small businesses and because the economy is the way it is," the Veterans' Administration has neither deemed it prudent to request funds for the program nor has it begun publication of loan regulations to get the program off the ground. These facts are reinforced by the writ-

[1]The full statement of Congressman Santini appears on p. 137.

ten statement of the Veterans' Administration submitted to this committee.

Despite numerous excuses offered by the Veterans' Administration, the truth of the matter is that the Reagan administration, which was not ecstatic about the small business program at its inception, failed to submit to Congress a funding request for fiscal year 1982, and no money is expected for fiscal year 1983. This is nothing less than an attempt by the administration to deliberately scuttle the legislation and loan initiative passed by this Congress.

Mr. Chairman, certainly fiscal responsibility continues to be a congressional priority. It must not be pursued at the cost of governmental irresponsibility toward thousands of courageous veterans. Our Nation's veterans are the men and women who serve and protect this country dutifully in war and peace, but when they leave the armed services, these same men and women contribute greatly to the making of our Nation's economy. They deserve and rightfully demand equal opportunity to be successful in their civilian careers.

For the same reasons, Mr. Chairman, it is also vital that the job training programs of Public Law 97-72 be properly administered to benefit substantial numbers of deserving veterans. Presently, the VA has severely limited participation in these programs. In the first quarter of this year, only 169 out of 2,455 veteran applicants for job training had their claims accepted. None were dry cleaner helpers or batter mixers, Mr. Chairman.

I believe that if it is the requirement at the Veterans' Administration district level to be able to both interpret and give some intelligent, meaningful reconstruction of those regulatory directions, Mr. Chairman, it is little wonder that 169 got accepted.

I understand the culprit here would seem to be "over-regulation." This is a monster that the Reagan administration promised to both confront and conquer. Instead, the job training programs, like many other worthwhile programs, have succumbed to too many burdensome regulations, this time in the form of that 5-inch thick, 2,656 page book.

Now, the Veterans' Administration's eligibility critera have denied the vast majority of claims, in a time when three-quarters of a million Vietnam-era veterans are out of work. Only veterans who do not have a high school diploma and are found to need training to achieve a suitable occupational or vocational objective are eligible for the 2-year extension. All others, regardless of occupation and educational circumstance, are barred from participation. I believe this is wrong, Mr. Chairman.

Veterans from Nevada repeatedly have related to me their keen sense of disappointment when they learned of the eligibility criteria of the extension. I would ask at this point, Mr. Chairman, if I might interject in my testimony, the examples of the five Nevada veterans as illustrative of the problems.

Mr. EDGAR. Without objection, so ordered.

[The information follows:]

1. Gary L. is a 36 year old male who served in Vietnam from May 1967 to September of 1968. He was a forward observer for artillery unit. After his return, he was drinking heavily and "didn't care about anything." He drifted from 10 to 11 jobs in 12 year period because he really didn't possess any skills for a "stable position". He

states, "I wish I had pursued further training back then; I would have used what was out there, if I had gotten my head straightend out in 1970." Because of help from the Reno Vietnam Center, he feels he is able and would take advantage of additional education if it was available.

2. Mark S. is a 33 year old male who served 2 tours of duty in Vietnam in 1968 and 1970. He went to Vietnam to "prove something to my dad. My dad was WWII Marine." Since return "he became impatient and gave up" on goals he started and that has been the pattern of the years since his return. Comes to the Vietnam Center to deal with this major problem. He used his G.I. benefits for Forest Service training following return to the states, but failed to complete course of study by the time his benefits expired. He definitely would resume training if possible.

3. John T. is a 34 year old male who served in Vietnam in 1970 and has used benefits off and on since then. Due to personal problems, he accumulated sizable overpayment of benefits. Would like to return to school, complete his education, and liquidate the overpayment, but he will be unable to do so by the time his benefits expire in 1983.

4. Duane L. is a 35 year old male who was in American River Junior College when he was drafted. He was in the army 2 years and spent 1 year in Vietnam as a medic. His experiences there caused him emotional and psychological problems—before he went he states he was a normal adolescent and he blames the war for these problems and only the war. When he returned he had difficulty attending school and had to drop out a number of times. He finally finished undergraduate study and was accepted at a law school. By this time he was married and had children. He was then told that the time limit had expired and he would no longer be eligible for the benefits. He feels that since he was already in the program and heading toward a degree he should have been given an additional amount of time to complete the process. He understands the necessity for time limits but thinks the ten year period should apply to that time when the person is actively involved in an education program. He feels strongly that the ones who were damaged by the war experience are discriminated against because they cannot take advantage of the benefits because of their physical or psychological difficulties. He did finish law school on his own at great financial sacrifice for his wife and children. He is now working in the Public Defenders Office.

5. Bob H. served in Vietnam from 1963 to 1968. When he returned to the states he bummed around. He moved to Nevada in 1969 and because of the G.I. bill could take courses in Criminal Justice. He is now an investigator and has no further advancement goals. However, he states he does need some continuing classes in his field—such as languages to help him keep up with the changes in the community—more Spanish speaking people in the area. He is afraid that if he does not get more education, he could lose his position. Benefits ended in 1978.

Mr. SANTINI. Nevada veterans share the sincere belief that because veterans undergo such physical or psychological damage by the war experience, many are incapable of taking advantage of the benefits within the 10-year limit and, for most, the 2-year extension has been a hollow promise yet to be fulfilled.

I strongly disapprove of the VA's actions in the implementation of Public Law 97-72. I know millions of veterans share my concerns and would like to join me and our colleagues in the House of Representatives, Mr. Chairman, in expressing a special thanks to you and this subcommittee for holding this oversight hearing.

Thank you very much, Mr. Chairman.

[The full statement of Mr. Santini appears on p. 137.]

Mr. EDGAR. Thank you very much for your testimony, Jim. We appreciate your coming and I am glad we could squeeze you into our discussion of batter mixers and dry cleaning operators and lots of others.

I would suggest and hope that you would submit those five cases that you have put in the record to Miss Starbuck, and I am sure she would be glad to respond.

Mr. SANTINI. I would be happy to do that.

Mr. EDGAR. I have a few additional questions that I would like to ask of the Veterans' Administration, if you would be patient with us.

I wanted to point out that the batter mixer is on page 06.04 of the Selected Characteristics of Occupations, in the Dictionary of Occupational Titles. It is defined, and there is a whole shopping list here. I never knew that a liquid sugar fortifier was a 4, but I discovered that. A cake former is only a 2. A cake former qualifies but a batter mixer does not. It is kind of amusing to go through and look up—in fact, when one of the Congressmen testified earlier and talked about a juggler, I was desperately looking to see whether or not the category of "street juggler" was in here.

Let me ask you some specific questions. As of June 10, the VA regional office in Philadelphia had received 112 applications. Only 9 were approved.

What type of outreach has the Veterans' Administration provided on the program to inform the public that this program is a possibility for them?

Miss STARBUCK. The Outreach has basically been through the media, Congressman, because of some rather stringent limitations on our employment. Persons who are in charge of Outreach centers have been made fully aware of this extension and have been urged to refer to us persons who could qualify for this extension. But there has been no attempt to reach by phone or by personal contact on a door-to-door basis any veteran population. This has gone through the media, basically.

Mr. EDGAR. We are in a real bind because our attention in times of high unemployment is to establish a program to meet a particular need. And yet the Veterans' Administration is under a difficult bind, particularly given its regulations. Not only has there been limited exposure to the veterans who might qualify for the program, but because of your high turndown rate, a lot of veterans have been scared off and don't even apply for a program because they don't want again to be turned down or to feel as though they are being put upon. All of us know, and you particularly know, as the Director of Veterans Benefits, that there are veterans who have needs and there are veterans who do not have needs. It is very difficult to design a program that meets those specific needs.

In this case, because of the strict requirements for use, I think we may be really harming the whole effort of trying to reach out to these Vietnam veterans if we can't more efficiently and perhaps even more passionately respond to some of those who have the need.

How long does a claim take to process?

Miss STARBUCK. We have standards for processing of an education claim, and I will let Mr. Dollarhide speak to those standards.

Mr. DOLLARHIDE. We are measuring this now, Mr. Chairman, on the basis of the time it takes to approve them and, on the other hand, the time it takes to deny them. Our averaging processing time on an allowed case is 47 days. On denying it, it is 41.

I should point out that in nearly every case there is development, once the application is received, to get additional information from the veteran.

Mr. EDGAR. Is that for just this program or for all readjustment programs?

Mr. DOLLARHIDE. Just specifically for the 2-year extension.

Mr. EDGAR. You do keep records in this program in terms of those who participate?

Mr. DOLLARHIDE. Yes, sir.

Miss STARBUCK. We do keep records on how long it takes to process any kind of application, and whether it is for just a reenrollment document or an application for an education program, an application for compensation or pension, we do have——

Mr. EDGAR. That's why I was surprised you didn't have the financial information at your fingertips, because I know how good you are at keeping records of who are the participants and the average length of time for people.

How long does it take to appeal? Suppose somebody decides who has applied that your decision was insensitive to what they thought were their broader needs? How long does it take to appeal?

Mr. DOLLARHIDE. We could furnish that for the record, Mr. Chairman. Anything I would say would be a guess.

Miss STARBUCK. If the individual disagrees with the decision we have made, then he notifies us that he disagrees with this. We would then furnish to him what is called a statement of the case. We would then outline in that statement of the case the basis for the decision that we made.

If he continues to disagree with us, then he may so advise us and file an appeal that would go before the Board of Veterans Appeals.

Now, the traffic at the Board of Veterans Appeals is exceedingly heavy. Their processing time, before that case would even appear before the Board, could conceivably run to perhaps 180 days or more.

Mr. EDGAR. Has anybody who has applied and asked for an appeal received an appeal? Has any appeal been approved? Is there any decision where the VA has been overruled?

Miss STARBUCK. I don't know that any decision has yet been appealed. But when you went out the last time for your vote, I told Mrs. Heckler that we would review at least 10 percent of those cases that had been disallowed to determine the reasons for the disallowance, to assure that the instructions as they have been issued in the field are being followed, and we would be able to determine from that review whether any appeals have been initiated by the individuals. We will be covering somewhere in the vicinity of 300 cases. Those will be reviewed here in Central Office.

To my knowledge, whether an individual veteran has appealed a regional office decision, I don't know.

Mr. EDGAR. We have some information that there has been appeals, and we would appreciate any additional information you might provide on the appeal process and how many are actively under appeal.

Are you at all surprised at how few people have been accepted, given the high levels of unemployment? Let me say one other thing before you answer that question.

The pressure against a new GI bill for the All-Volunteer Military has come from the fact that because of the high levels of unemployment and because of the economic conditions, because of some in-

creased benefits that they have provided in the service, people are clamoring to get into the Army, Navy, and Air Force, into the basic military. We are seeing in other statistical analyses—crime rates, for example—that with the higher levels of crime rate an awful lot of people who are unemployed are actively pursuing lives that are inappropriate in terms of society's concerns. But in a whole series of things, the largest and highest unemployment rate since the Depression has caused a shaking of our economic structure. And yet, in this program designed to focus in on a group of Vietnam veterans who are underskilled and undertrained, who may have missed the boat because of some of the economic conditions that we face, there is very little participation.

Does that at all strike you as surprising?

Miss. STARBUCK. Well, the fact that we have received to date some 4,500 applications does strike me as a little bit low, but not seriously so because there are so many veterans whose delimiting dates arrived over the years so that, while there would be a rather large potential for this, if they had prior training—and most of them have—I would have expected that we would have had at least by this time some 10,000 applications.

Mr. EDGAR. Let me say it another way—and I appreciate your honesty in that response. If we could agree that there are—let's use the figure 700,000 Vietnam-era veterans who are unemployed—the figure of 750,000 has been used—of that 700,000, wouldn't it be reasonable to expect that maybe 50,000 would fit into this kind of—well, let's even go lower. Your press release, when the program was being developed, indicated that you anticipated approximately 39,000 to 40,000 people participating. At the present rate, that is clearly not going to be met. Even if at the present rate we were to hit 20,000, it would seem to me that would be awfully low considering the higher pressures of unemployment that we are facing.

Wouldn't you agree with that?

Miss. STARBUCK. That is a reasonable assumption. I think the Vietnam veterans who are currently unemployed in this economy are probably more interested in seeking reemployment or employment in some other industry if, as in Philadelphia, the industry itself has disappeared, rather than relying on a somewhat nominal benefit so that the veteran would be hard pressed to support himself and his family. So I think they are perhaps visiting employment agencies rather than the Veterans' Administration.

Mr. EDGAR. Do you consider preservice employment or training in determining whether a veteran is considered skilled or unskilled, and therefore eligible for additional readjustment assistance?

Miss. STARBUCK. Now, would you pick that up?

Mr. DOLLARHIDE. Yes, we would consider that when we develop these cases, Mr. Chairman. We determine each individual veteran's record and all of his employment plus his education.

Mr. EDGAR. Let's go back to our batter mixer. Let's just put him out here and say that the batter mixer skills were received prior to his involvement in service, prior to his going to Vietnam.

Do you mean to say that, no matter what the veteran's postservice work experience, or his present readjustment difficulties, or his time spent in service, you would declare him ineligible even if

his preservice job or training were totally unsuitable for his present employment prospects?

Mr. DOLLARHIDE. If his employment plus his education and all other things considered showed that he had, under our guidelines, a suitable occupational skill, then he would be denied, yes, sir.

Mr. EDGAR. This sounds absurd, but let me ask it anyway.

Would you also deny compensation benefits and support under this program to a double amputee because he happened to have had legs before he joined the service and worked in a position where he needed those legs? Do you have the flexibility to be reasonable on that?

Mr. DOLLARHIDE. For the amputee to draw compensation, he would have had to have suffered that disability while in service. It would have to be connected to his military service.

Mr. EDGAR. No. I meant, if he is readjusting from his military—suppose he is a disabled veteran from the military, he is unemployed, he comes to you under this program to have an extension of his delimiting date. You look at his total work history and you discover that he was a 5 or a 6 or a 7 prior to Vietnam. Would that, in and of itself, disqualify him, or would there be an exception made because of the handicap?

Mr. DOLLARHIDE. Under the guidelines, he would be denied because he has a suitable occupational skill.

Miss. STARBUCK. But, Congressman, it is important that that young man would be put into our vocational rehabilitation program.

Mr. EDGAR. That may not be the best example. I was thinking of other examples of persons who may have a skill that was prewar, that their work in the service or their disability from the service made them ineligible to do that work. And yet, because they had that skill, and because you take the whole work record, I am hearing from you that they probably would be denied at first blush on the application.

When did you notify the officials in the Department of Labor, with the Veterans Employment Service and the Office of Assistant Secretary of Labor for Veterans Employment, of the regulations for the extension of the delimiting date?

Mr. DOLLARHIDE. Well, we had early contact with the Department of Labor. I think the first one was on November 5, Mr. Chairman, 2 days after the law was enacted on November 3, 1981. I had several discussions on the phone with the person in the Office of the Assistant Secretary for Veterans Employment, and specifically went over all of the guidelines very early in January with that staff person so that could be included in an upcoming newsletter that they got to each veterans employment service in the country.

Mr. EDGAR. We had some information that notification in the field office in the Department of Labor didn't occur until middle or late February. We were wondering what that delay accrued from.

Mr. DOLLARHIDE. As I recall—this is strictly recollection, Mr. Chairman—my conversation with them was much earlier than that. When they released the publication, I don't know.

Mr. EDGAR. I guess what we're implying there is that some of the delay and the number of applications, from the Department of Labor's point of view, may have come from a delay in getting those

rules and regulations out. But we will do a little more homework on that.

Let me shift gears to the small business loan program and ask you a few questions relating to that.

On March 31, 1981, before Chairman Montgomery's Subcommittee on Oversight and Investigations, the Veterans' Administration witness said, "The decision not to fund the program was based on budget considerations." This is the small business revolving loan program. "Therefore, it should not be in the VA but in the Small Business Administration."

In the Washington Post on May 25, 1982, a Veterans' Administration spokesman said the following: "The Administration does not feel it is the time to" and I underscore this word "tempt veterans into small businesses because of the state of the economy."

Do you know where that statement came from and who made it?

Miss. STARBUCK. I think the statement was made by a representative of the Office of Information and Consumer Affairs. I think that's the correct title.

Mr. EDGAR. The VA Administrator, Bob Nimmo, in an article dated May 27th in the Stars and Stripes, said essentially the following. He commended the Small Business Administration making new recommendations for veterans small business efforts, calling them excellent, and assured the VA's support in the practical application of small business programs.

Now, on the one hand, the VA is saying it is not the time to "tempt" veterans into small business; and on the other hand, Administrator Nimmo is commending the Small Business Administration for setting aside a special effort for Vietnam veterans. Is that contradictory in your mind, or is it not?

Miss STARBUCK. Not really. I think the basic problem with setting aside a separate loan program for veterans in the Veterans' Administration is, in fact, a duplication of entitlement. If the Small Business Administration can implement the recommendations that have been made to the agency by the task force on which the VA served, I think the agency which makes the loan makes little difference.

If the SBA program does, in fact, give the priorities that is going to commit itself to veterans, then certainly for a like program to exist, I think it loses some of its impact. I don't consider that to be a contradictory statement.

I know the Administration, I am sure, in responding to a question, fully supports the emphasis that SBA may place on services to veterans.

Mr. EDGAR. I guess the bottom-line question is, our hearings and our testimony, the overwhelming vote of the House and Senate, came to the conclusion, after long hours of listening, that the Small Business Administration had not done a quality job in providing any special attention to Vietnam-era veterans in the establishment of small-business loans. The bottom line was that we passed a bill with a large amount of congressional support, to say that the VA should have this responsibility.

We recognized that the VA didn't traditionally have the skill and preparation of regulations for this program. But we felt pretty confident that the VA could do a better job than the Small Busi-

ness Administration, which has had a task force in the past. They have had a task force last year and the year before, and they have come up with regulations over and over again; they have been before committees of Congress; we have asked them about what they have done for small-business loans, particularly for Vietnam veterans; they have stumbled and bumbled, and every time we get close to them about really focusing in on the real need, they simply form a task force. Everybody feels comfortable about that. We go away for another year and it is not until next year that a new set of Congressmen ask a new set of questions, as to why the Small Business Administration has not complied with the law or the intention of Congress that Vietnam veterans be helped in some way because of losing their economic advantage.

Is it the Administration's feeling that it is not a good idea to tempt veterans into small business at this economic time in history?

Miss STARBUCK. It is not the feeling of this department.

I think we need to take a look at this thing and understand that at the time we were considering this, we were being asked to exercise some rather rigid budget constraints, and that required that we look at all of the programs which we administered to identify areas in which constraint could be applied. It was our judgment, my judgment specifically from the department's standpoint, that since we were not ready to implement the program, that to slash on one side to constrain the budget, but to ask for $25 million on another side, was not logical.

Since the passage of the legislation had rather dramatically gotten the attention of the Small Business Administration, and they did ask for VA participation in their task force, that if the recommendations of the task force were implemented, then under the eligibility of SBA the veterans could, in fact, obtain loans.

Mr. EDGAR. Are you aware of the previous task forces that the Small Business Administration has had to deal with this issue?

Miss STARBUCK. Not intimately, no, sir.

Mr. EDGAR. The Congressional Budget Office originally projected that the extension of the 2-year delimiting date, targeted as it is, would cost approximately $52 million. The program that we are talking about now in terms of the small business revolving loan program is estimated to cost $25 million.

Under the present rate of approval and, hopefully, an improved rate of approval, it occurs to me that under the normal course of events we are not going to spend close to that $52 million on the extension of the delimiting date. One possible scenario would be to go back and say that $25 million of that that has already been locked in the budget, at least from the Congressional Budget Office point of view, could be dedicated to this new program. So that is one possible area where funds could be gotten.

We have also written letters to, and plan to pursue with, the chairman of the appropriate Appropriations Committee to put a line item in his budget directing that $25 million be committed to this purpose.

I wonder if you could, in the next few weeks or months, submit to Congress the progress that you see being made on not only what the Small Business Administration is doing, but in terms of your

regulations. I guess I am frustrated that you have not pursued the process of setting up a program that has been congressionally mandated. And even if the funds were freed up tomorrow, it will take you some time to put those regulations in place. It looks as though, from my perspective, that there is a deliberate attempt on the part of either the President, OMB, or the Veterans' Administration, not to comply with the intent of Congress.

Miss STARBUCK. The regulations to cover the loan program, Mr. Chairman, I am advised are ready to come to me for submission to the Administrator, through the General Counsel. That should happen next week. The regulations have been completed and this, of course, in consultation with the General Counsel. When they come to me for signature, then I am pretty confident that there has been a meeting of the minds between the program and the General Counsel's Office. So the approval process would not be a lengthy one.

Mr. EDGAR. You understand the kinds of pressure that I, as chairman, and the other members of the committee have in terms of having passed that law and having had the signing of that into law by the President of the United States, that there are veterans who are saying, "What are you doing to us again?"

Miss STARBUCK. I understand fully; yes, sir.

Mr. EDGAR. How do you respond to those veterans when they say that to you?

Miss STARBUCK. Well, I guess I have talked with an individual veteran or have at least talked to a representative of his who wanted a small business loan, and I had to tell him that we would be unable to accept his application since we had no revolving fund from which a loan could be made and that there would be no such funds available during fiscal year 1982 or possibly 1983.

Mr. EDGAR. I find it very hard to communicate to veterans in times of economic distress, that I can't point to the Small Business Administration other than to say they have formed another task force, and say, "Here, you're going to get some special help." Or to point to the Veterans' Administration with any pride in terms of the speed with which they have put the regulations in place.

On the issue we talked about earlier, in terms of the multiplicity and detail of the regulations that you have put in place on extension of the delimiting date, I just see an avoidance of the intent of Congress. The reason we have spent so much time on this issue and the reason you get so much fire built in the minds of some of the Congressmen, particularly those of the Vietnam era, is the concern that we are sending terrible messages to our veterans, that in the area of skilled and marginally skilled veterans, "we want to help you, at least on paper, but we're not going to get to it". In terms of those veterans who are a little better off, who need some specialized help under the small business set-aside, we are saying "we want to help you, but we are not able to put it in place, and we're not going to help you in 1982 and 1983, and maybe when the economy gets back in place in 1984 or 1985, when things are better and we have paid off the $1.5 trillion of defense expenditure, maybe then we will take care of you."

For some of the new entrepreneurs of small businesses, it will be painful, but they will be able to adjust. For some of those who are

unemployed, who are at the bottom of the list because the competition is so high, the extra help that the VA could give, to fully implement the 2-year extension of the readjustment program, is really phenomenal

If we could say 2 years from now 40,000 Vietnam veterans who are unskilled or marginally skilled were retrained or helped because of our efforts, I would be the first to begin that celebration, because I think that is a critical thing that needs doing. I thought we had that intention put in law, and we are frustrated, frankly, because of what we see in terms of the actual practice.

I would hope that you, as the Director of Benefits, and the others of you who are involved in putting the regulations together, would really rethink—perhaps even go back out into the field and talk to the "batter mixers" of this world, and talk to them about what their needs are, and make sure we don't put regulations in place to severely hurt those persons who have already been hurt in their readjustment from war injury, regardless of whether it was mental or physical.

I don't believe I have any other questions at this time. Both Congresswoman Heckler and myself have questions for the record on some of the other programs which we talked about today and you will be hearing from us.[1] As you work very hard, we don't sleep on this side of the Capitol, either, and we will be back in touch with you with some specific questions on those issues.

Thank you for your attendance.

Miss. STARBUCK. Very good, Mr. Chairman. Thank you very much.

Mr. EDGAR. Our next witness will be Roger Andal, State commander of the DAV, Sioux Falls, S. Dak. Congressman Daschle is coming to welcome you and to introduce you, but we are going to have to bypass that by having you come to the microphone and speak, and we will have your introduction later.

Mr. Andal, we are pleased to have you here, and we appreciate your patience in the long hours of the hearing that have transpired so far. Your full text of your statement will be made a part of the record.[2]

Because of the long list of witnesses that we do have today, I would like to try to focus each person into an initial statement of about 5 minutes, so that we have some time for questions, a total time of about 10 minutes, and we can give or take on that 10 minutes.

But we have a long list of people who do have some comments that they would like to make.

Mr. Andal?

STATEMENT OF ROGER ANDAL, STATE COMMANDER, DISABLED AMERICAN VETERANS, SIOUX FALLS, S. DAK.

Mr. ANDAL. OK, thank you. I will keep mine down to about 3 minutes.

I have made a brief summary and some personal observations from my written testimony, which I understand you have a copy of.

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[1] See pp. 162, 167.

[2] The full statement of Mr. Andal appears on p. 138.

Mr. EDGAR. We do.

Mr. ANDAL. Gentleman, I am a 40-percent disabled combat Vietnam veteran. I am presently attending Augustana College in Sioux Falls, S. Dak. with the objective of going to law school.

I bring to your attention my present activities, as my written testimony will point out, the events in my life that have led me to these goals. I am quite proud of my present activities and goals, but must say that the personal loss and the pain leading up to them sometimes leaves me sleepless at night, and maybe a little bitter toward the system as I see it.

After 12 years of active participation in public life, I, as a Vietnam veteran, had a strong desire to return to my hometown and purchase a business, to become an active participant in our free-enterprise system.

I had dreams of managing the business and assisting my father, who was 63 years old at that time, on his farm operation close by. My wife and I both gave up a great deal to undertake this venture.

I have explained in brief detail in my written testimony a few of the problems I have faced in receiving loan support and consideration from the Small Business Administration. I must say that I could have never imagined the stories I had heard about the SBA could have all been true.

The total lack of assistance and callous disregard for veterans by the Small Business Administration, in my mind, is inexcusable. This new program, authorized by Public Law 97-72, gives new hope to veterans seeking a small business loan, although the need for funding of this law is obviously the tool that will make it a reality to many deserving Vietnam and disabled veterans.

A number of benefits that have been designed to assist Vietnam veterans in the past, in my mind, have came too little and too late. This program, as I understand it, is fortunately left with no restrictions on time, and may possibly be the only program that many Vietnam veterans will benefit from in their lifetime.

In my travels and encounters in working with veterans and involvement with veterans' organizations in the past year, there has been one issue that stands out in almost all circles, the need for capital to start small businesses by Vietnam veterans who have reached the age when they are now making serious lifetime plans.

It is my hope that these same Vietnam veterans will not be let down, but will receive assistance from a grateful Nation in their attempts to be part of our free-enterprise system.

It now appears to me, after witnessing the sad situation within the Small Business Administration, that Public Law 97-72 is the only hope left for this class of veterans. I want to express my sincere thanks to this committee for allowing me to address you today.

And after your review of my written testimony, if you have any questions, I will be happy to elaborate more on it, and answer any questions you may have.

Mr. EDGAR. Thank you very much for your statement.

Congressman Daschle is really one of our best advocates for Vietnam-era veterans, and I know he would want to be here to not only welcome you, but talk to you about these issues, because he not only was one of the original authors of this legislation, but keeps

pushing and pushing in the right places on issues that are important to Vietnam veterans.

He is presently in markup of an agricultural bill which he has also written, and has to share his allegiance. You listened as the Administrator of the veterans' benefits spoke, and you heard her comments about the Small Business Administration setting up this task force.

Are you at all feeling that that is going to take care of the problems that you outline in your testimony, that the Small Business Administration is now suddenly concerned and interested?

Do you believe that?

Mr. ANDAL. I don't believe it. I am not impressed by their new task force, because as you pointed out, there has been many task forces in the past. The Small Business Administration has had a veterans' representative on their staff in every office throughout the country for 20 or 30 years, to my knowledge, and with that particular individual sitting right there, and with the service organizations dealing with them, they have never been able to access that system to the capabilities that I think veterans should be able to.

So I don't look for a new task force to come up with anything that is going to change what we have seen in the past—particularly, the things that I went through in dealing with the Small Business Administration.

Mr. EDGAR. How do you react as a veteran to the quote from the VA spokesman, where he said, "The Administration does not feel it is the time to tempt veterans into small businesses, because of the state of the economy?"

Mr. ANDAL. I was appalled when I read that earlier in Congressman Daschle's office when I was on my way down here. I couldn't believe that someone, whoever made statement, would make such a statement, especially for the record. It seems like just the opposite would be the approach. Not only are disabled veterans at a high rate of unemployed—and there are businesses going bankrupt, there is no doubt about that.

My business, for one, went bankrupt, and had a lot to do with the fact—mostly to do with my dealings with the SBA. But I guess I feel that that was a pretty inappropriate statement. Now is the time to provide some assistance to those people who are looking to business.

There are a lot of small businesses that yet could pop up, and could do a lot for this country.

Mr. EDGAR. I am chairman of another group, called the Northeast-Midwest Congressional Coalition, that does a lot of work on small business issues, and has a great deal of expertise in the area of small business.

We discovered a couple of things. One is that one of the major problems for our region of the country, which includes the New England, Mid-Atlantic, Midwestern States, is the fact that most net job increase comes from the incubation of 0- to 20-employee firms, small businesses, many of which do have early difficulties, and need less tax breaks than they do some up-front capital to get started.

Further in our research and study, we discovered that there is a high turnover of small businesses. That last year, we had some-

thing like a 47-percent increase of bankruptcies among small businesses, compared to the year before.

And as the economy gets tough, there is a large turnover of new entrepreneurs who don't make it.

But, on the whole, the net job development that occurs by incubation of lots and lots of small businesses is beneficial to our society.

We discovered, further, that the death of industry occurs pretty equally around the country. That is, North, East, South, and West, through every one of the 50 States, industries die at about an 8-percent rate a year.

The new births of industry, new entrepreneurs, the new industries that are coming into vogue, are primarily happening in the South and West at this time in history. That the northern tier of States have had a difficulty in bringing those small businesses into being, whether it is taxation or land cost or energy costs, something has put a great deal of pressure on them not to be as productive.

Even after saying that, we come to the conclusion that it is in the best interest of the Nation and in our region if we can spend time helping and incubating those 0 to 20, and small business firms.

I know that led Congressman Daschle to help push this legislation, and it is what drives me to try to get the VA to recognize that the Small Business Administration had its chance to prove itself. Had it 10 years ago; had it 8 years ago; had it 5 years ago; had it last year, and has not. And that is why Congress, in a very strong vote, asked that the VA take over that responsibility.

I think Congress still believes that. I think if we had a vote on the House floor today, it would pass again as overwhelmingly as it did.

Your statement has been helpful, and I appreciate that. I commend you for taking the time to come.

Mr. ANDAL. Thank you.

Mr. EDGAR. Let me ask Paul Egan to come as the next witness; and Phil Mayo; and Steve Edmiston; and Gabe—and John Terzano.

Will you come forward?

STATEMENTS OF PAUL EGAN, DEPUTY DIRECTOR, NATIONAL LEGISLATIVE COMMISSION, AMERICAN LEGION; JOHN F. SOMMER, DEPUTY DIRECTOR, NATIONAL VETERANS AFFAIRS AND REHABILITATION COMMISSION, AMERICAN LEGION; PHIL MAYO, SPECIAL ASSISTANT TO DIRECTOR, NATIONAL LEGISLATIVE SERVICE, VETERANS OF FOREIGN SERVICE; STEPHEN E. EDMISTON, ADMINISTRATIVE ASSISTANT, NATIONAL LEGISLATIVE SERVICE, DISABLED AMERICAN VETERANS; and JOHN TERZANO, LEGISLATIVE DIRECTOR, VIETNAM VETERANS OF AMERICA

STATEMENT OF PAUL EGAN

Mr. EGAN. Mr. Chairman, my principal function this morning is to introduce the one will be summarizing our remarks, and that is John Sommer, whom I believe you are already acquainted with.

But I would like to say one thing in regard to the small business program within the Veterans' Administration to begin with. We have recommended, as has the DAV in the past, before the Housing and Memorial Affairs Subcommittee, that if indeed a one-half of 1 percent user fee is going to be imposed on veterans seeking to use their home loan program, that rather than have that money returned to the Treasury, that that money might better be used to fund this small business program.

And we would like to bring your attention to that recommendation.

Mr. EDGAR. That is a helpful suggestion. It was a scenario I was going to weave a little bit later, but now that you have mentioned it, there are a couple of options for finding the money for the small business loan program within the present composition, and I appreciate your raising it.

Mr. EGAN. Well, I would also say that if the GAO's projected savings for that program are accurate, then the money generated for that program would be far in excess of $25 million.

Mr. EDGAR. I appreciate your bringing that to our attention, and let me ask each of you to summarize your statements. You have heard the witnesses previously. They have all raised the issue, I think fairly clearly. Your full statements will be made a part of the record, and I hope that you will lift out, either from your statements or from what you have heard, the salient points that you would like to make.

Would you give your full name for the record?

STATEMENT OF JOHN F. SOMMER, JR.

Mr. SOMMER. Yes, Mr. Chairman, my name is John Sommer, and I am Deputy Director of the National Veterans Affairs and Rehabilitation Commission of the American Legion.

The Legion certainly appreciates this opportunity to present its views on the education, training and rehabilitation programs administered by the Veterans' Administration.

In our written statement, we have touched on the programs under chapters 31, 32, 34, 35 and 36. However, in the brief time available today, I will limit my comments to a current issue of importance, particularly to unemployed Vietnam veterans, which has been addressed quite extensively during today's hearing.

During hearings on H.R. 2391 held by this subcommittee in early 1981, The American Legion expressed its concern about continuing economic and readjustment problems, and the unemployment of Vietnam-era veterans.

During the course of the hearings, it was pointed out that at least 500,000 Vietnam and Vietnam-era veterans were unemployed at that time, and as has been stated today by earlier witnesses, the figure is now over 700,000.

It was for that reason, and the fact that, the employment programs, such as HIRE I, HIRE II, and CETA, were full of unfulfilled promises and were never responsive to the needs of veterans that the American Legion, although we were mandated to oppose a general extension of the chapter 34 delimiting dates, did not oppose

the targeted extension that was proposed in this legislation, and which was mandated by enactment of Public Law 97-72.

But, as has been emphasized during this hearing, we are now faced with the problems stemming from the VA's perception of exactly what the intent of Congress was in passing this legislation.

We have reviewed the proposed regulations relating to the limited extension of GI bill eligibility for educationally disadvantaged and unskilled, or underemployed, Vietnam veterans, as contained in the Federal Register of April 20 of this year, and in DVB circular 22-81-15.

And we are concerned that the proposed regulations do not fully address the purpose for which this legislation was enacted. It is apparent that in the VA's interepretation of the law, a great deal more emphasis has been placed on previously-attained training levels and prior work experience than on the employment status or need for additional vocational training of these targeted veterans.

The American Legion is of the opinion that the regulations and guidelines, as currently proposed by the Veterans' Administration, are much more restrictive than Congress intended for them to be, and if the eligibility criteria is not broadened to a certain extent, the limited extension of a 10-year delimiting date set forth in Public Law 97-72, will be of assistance to a minuscule number of unemployed Vietnam veterans.

Also relative to this issue is another discomposing matter which the Legion perceives to be an absence of publicity by the Veterans' Administration relating to this benefit. We are making every effort to publicize the availability of the extension in American Legion publications.

However, it is felt that action should be initiated by VA to inform eligible veterans of this additional period of eligibility for educational assistance.

Mr. Chairman, that completes my summary.

[The prepared statement of The American Legion appears on p. 140.]

Mr. EDGAR. Thank you very much for your statement, and if you can, I would appreciate it if you could just wait there in case there are questions that go out to all of you.

Mr. SOMMER. Yes, sir.

Mr. EDGAR. Mr. Mayo?

STATEMENT OF PHIL MAYO

Mr. MAYO. Yes, sir. My name is Phil Mayo; I am with the VFW here in Washington. Thank you, Mr. Chairman, for inviting our views on the matters before the committee today. I will restrict my remarks to those concerning the targeted delimiting date extension and the small business loan program, and leave my statement stand on the other matters before the committee today.

We concur in most of the judgments expressed before the committee today. We protest the inactivity demonstrated by the VA in handling these two programs. What we feel is a head-in-the-sand approach to implementing them. Vietnam veterans are experiencing unemployment and underemployment problems greater than the norm.

Lending institutions do not stop granting loans due to adverse economic conditions, nor has the VA stopped granting direct or guaranteed home loans. This is an inconsistency that is difficult for us to understand. We believe that the law addresses these problems, and we feel that they should be adequately implemented.

We commend the subcommittee for its efforts in securing the sympathetic and timely implementation of the programs, and we support the efforts.

Thank you.

[The prepared statement of Mr. Mayo appears on p. 144.]

Mr. EDGAR. Thank you very much for your comments.

Mr. Edmiston?

STATEMENT OF STEPHEN L. EDMISTON

Mr. EDMISTON. My name is Steve Edmiston, I the am associate deputy national legislative director with the DAV. I appreciate the opportunity to be here this morning.

I would echo the comments of my associates here at the table, and the other witnesses, with regard to the extension of the delimiting date and the small business loan program.

Like The American Legion, we have suggested the use of the users fee, as we feel that it might be a possible alternative to funding the small business loan program.

One other point that I would like to raise is in reference to the Administration-sponsored bill, H.R. 5673. I, just for the record, would like to make it perfectly clear that the DAV is adamantly opposed to title I of that bill, which proposes to terminate the dependency allowances for those veterans in training under the VA's vocational rehabilitation program.

Again, we thank you for this opportunity to be here.

[The prepared statement of Mr. Edmiston appears on p. 146.]

Mr. EDGAR. Thank you very much.

Mr. Terzano?

STATEMENT OF JOHN F. TERZANO

Mr. TERZANO. Thank you, Mr. Chairman.

Just at the outset, I would just like to say that I had the opportunity to look through the Department of Labor's Guide to Employment, the dictionary that you went through before.

And it was only through, I guess, by luck, that I found one of my job titles, which happened to be under scale, and I commend you for being able to reduce all the mumble-jumble.

Mr. Chairman, earlier, the Congresswoman from Massachusetts made mention of the fact that the problem with the Vietnam veterans and the lack of response from the administration did not start with the Reagan administration.

And I would agree with that. It started with Lyndon Johnson. He didn't want to sign the GI bill. It continued with Richard Nixon, when he vetoed the Medical Health Care Act.

It continued with Gerald Ford, when he vetoed the GI bill increase. With respect to President Carter, given the whole history of administration that have been involved with Vietnam veterans, I

guess you could say he was the best. But if he epitomizes the best, then that means that the worst are really bad.

Now we have Mr. Reagan, who, upon getting into office, wanted to decimate every Vietnam veteran program, including the readjustment counseling program. They impounded money for the readjustment counseling program, which was only overturned when a lawsuit was brought against Mr. David Stockman.

Now we have an administration and an agency that are frustrating us once again. We have an Administrator of the VA who has yet to even talk to Mr. Reagan about veterans' issues. And it is no wonder that we have to be here today.

I would submit to you, Mr. Chairman, that Veterans' Health Care Training and Small Business Loan Act of 1981, be renamed, as a colleague of mine mentioned earlier today, the Vietnam Veteran Phantom Benefits Act of 1981, because that is what we are talking about.

Miss Starbuck, who I have a lot of respect and admiration for, was very generous when she said that she would reduce 10 percent of the claims, or she would respond to our batter mixer, respond to Mr. Santini's people from Nevada. But that is not what we need.

What we need is to change the mindset of the VA. Going over the individual cases isn't the problem. The problem, is the criteria that they set up in the regulations just totally bar the overwhelming majority of the people that you have tried to help with the program.

And reviewing cases, individual like that, is not going to help us, unless we get the VA to open up those regulations to allow individuals like the batter mixer, or short-order cook at a McDonald's, or anybody who even drove a truck on a construction company, or any of the other jobs listed. It is not going to be worth anything.

And as you mentioned before, our time is running out. We have only have a year and a half left with the delimitation date extension. We only have 4½ years left on the small business loan program. It is not going to be there. And you can enact new legislation, as already introduced, H.R. 6441, but that new legislation, Mr. Chairman, isn't going to mean anything if the VA itself doesn't change their mind.

From what I heard this morning, they are not going to do that.

Thank you.

[The prepared statement of Mr. Terzano appears on p. 149.]

Mr. EDGAR. Thank you very much.

I have two questions that I would like to ask you all of you, and have your input in, and there are many other questions I would like to ask, and we may call you individually and ask them, or submit questions to you for the record.

But the one question deals with the extension of the 2-year delimiting date. What changes would you recommend in the regulations to broaden the scope of eligibility without opening it up in such a way that either it would simply not meet its intended purpose of those who are unskilled and marginally skilled?

What changes would you recommend that we suggest to the Administration?

Mr. TERZANO. I would suggest, first off, that the VA look at a veteran's full readjustment period, since he came back from the

war, including his employment history, whether he has been unemployed, underemployed, and including his readjustment counseling, whether he had to go through any of that.

And that is best determined by individuals at the Vet Centers, where a lot of these people go. As it stands right now, given the case of, for example, the batter mixer, no matter what his whole history is, he doesn't meet the three criteria that the VA has set up.

He has had an SVP of 4, so that's it—plain and simple. And unless you take in and encompass the whole history, and be able to do that on an individual basis, it is not going to mean anything. The VA says that you can get counseling from a psychologist, a professional psychologist on staff.

He doesn't care. He is not going to look at your whole history, because the rules and the regulations still say that the batter mixer is a 4, so it doesn't matter whether you have been underemployed for 6 years, or unemployed, he is still not going to be able to qualify. And you have to open up those type of regulations.

Mr. EDGAR. Other have responses?

Mr. SOMMER. Mr. Chairman, we feel that more emphasis should be placed on the employment status and the need for vocational training of the veteran, rather than his prior work experience. There have been instances pointed out today where a veteran may have been somewhat skilled in particular job. However, that entire industry is closed down in the area in which he lives, which would make it quite difficult for him to get employment in another industry with the skills that he has.

So, we feel that a look should be taken at situations such as this, in making decisions on these cases.

Mr. EDMISTON. We would have to agree that some latitude has to be placed in the regulations. I recently had the opportunity to talk with a DVOP on the West Coast, and he brought it to my attention that he was able to, through his position, but he had to accompany the veteran to the Veterans' Administration who had already denied the veteran's claim for the extended benefit, and establish with them, from his professional point of view, regardless of the veteran's previous work record, the need that this individual veteran has.

So I think the latitude must be built into those regulations in order to help some of these fellows out.

Mr. EDGAR. And a DVOP should not have to walk a person through the process.

Mr. EDMISTON. That is correct.

Mr. MAYO. Certainly, a sympathetic and humanistic approach to the regulations, it seems to us, is in order. I mean, without regard to the circumstances surrounding the veteran's need, it makes the program as it has turned out to be.

Mr. EDGAR. Well, I want to ask each of you to work with us as we try to see this program turned around and working better, because it is already in place, and it seems to me that with enough energy placed in the right places at the Department of Veterans Benefits, we ought to be able to see some change.

Let me ask you one other question: This is a rephrasing of a statement I quoted earlier, but the Veterans' Administration

spokesman was quoted, after The Washington Post quote, in the New York Times on May 31, saying the following:

> Besides this, this is not the time to entice veterans into the small business world. With the economy the way it is, and with business already in existence having problems, it is not the best of times to set another program to go into small business.

Now, that statement was made shortly after the statement in stronger form was made in the Washington Post. And at the very same time, the Veterans' Administration is pointing with pride to the task force that the Small Business Administration has set up, and the fact that Small Business Administrator Sanders has given some special consideration for veterans seem to me to be a contradiction.

You either think that helping small businesses is important or you don't think it is important. I wonder if the veterans' organizations have an opinion on this kind of statement emanating from the Administration?

Mr. EDMISTON. Well, I would think that our opinion on that is that it has been 8 years since the VA small business loan program was terminated, and SBA was given the responsibility of handling those loans and extending special consideration to veterans.

And now, almost 8 years later, they tell us again that they are going to extend that consideration. We question the sincerity of that. We wonder whether or not it is not a smokescreen in an effort to divert our attention from the proposal contained in Public Law 97-72.

We would hope that through everyone's efforts, we could get that program funded. We think that the VA is the best avenue, the best agency to handle the program, and that veterans will finally get the extra consideration that they should receive in obtaining small business loans.

Mr. MAYO. Mr. Chairman, those statements are unfortunate. And I would like to respond to what you have said that—and by prefacing it with the fact that I was a commercial banker for 6 years.

Many loans that I was party to and granted and worked on weren't for tempting people to go into business. The vast majority of loans made were to allow businesses to expand or to remain viable in circumstances that we are enduring at this time.

And I think, again, the approach that has been taken in this regard is a head-in-the-sand approach.

In my experience, we became, as officers of the bank I worked for, more aggressive in looking for good loans during times like this. The bank had to continue to earn money in order to pay its depositors. And we became more aggressive, and this is the time to be that way.

Mr. EDGAR. Thank you. Any other comments?

Mr. EGAN. I would have to say that the quotation that you quoted, if it didn't come from the Administration, I would—probably wouldn't need to be taken seriously. It certainly suggests a rather paternalistic attitude which is perhaps inappropriate.

But I think, all in all, it has a ring of something of an excuse rather hastily put together. And I would suspect that that particular response probably constitutes somewhat of an embarrassment for the Administration.

Mr. EDGAR. I was convinced, when I read it in The Washington Post, that the next day, when the article appeared in the New York Times, that a spokesman for the VA would have said something different.

Maybe that these weren't the budgetary times to do it, and the small businesses involved in it, put it in the way they did twice in two separate occasions was startling to me. And I appreciate your response to it. I appreciate your taking the time to testify today.

I do want to remind you that another bill, very much involved in employment areas will be discussed next Tuesday in hearings in this very room; H.R. 6440, which is the national veterans employment legislation. That is on June 22, and we look forward to hearing from some of you at that time.

Thank you very much.

Mr. EDGAR. Our next person to speak is Mr. Bernard Ehrlich, National Home Study Council, accompanied by John F. Thompson, president of McGraw-Hill Continuing Education Center.

STATEMENT OF BERNARD EHRLICH, NATIONAL HOME STUDY COUNCIL, ACCOMPANIED BY JOHN F. THOMPSON, PRESIDENT, McGRAW-HILL CONTINUING EDUCATION CENTER

Mr. EHRLICH. Thank you, Mr. Chairman. Mr. Thompson will be testifying for the National Home Study Council, so I will turn it over to Mr. Thompson.

Mr. EDGAR. Welcome to the hearing today. Your full statement will be made a part of the record.[1]

Mr. THOMPSON. Thank you, Mr. Chairman. In the interest of time, I do have abbreviated comments for you this afternoon.

I am John Thompson, president of the McGraw-Hill Continuing Education Center. I am vice chairman of the Accrediting Commission of the National Home Study Council. I have served as president of the National Home Study Council, and next month marks my 26th year in correspondence education.

Since time is limited, I do ask that the complete statement be made part of the record. We are here primarily to challenge the VA's contention that correspondence training has not met the objective of providing substantial employment to those trained, and that many individuals have used the programs primarily for recreational purposes.

Let us briefly explain that the VA's statement is not only unfair, it is also untrue. Is this committee aware that under present law, home study schools must show for each course, that at least 50 percent of graduates are employed in the field for which they are trained?

I wonder how many colleges and universities could meet this criteria, particularly in a recession period? Is this committee aware the correspondence schools provide entry-level job training in skill areas of critical national value today; electronics technology, computers, engineering topics, and so on. Correspondence study is often the veteran's only practical, affordable method of study.

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[1]The prepared statement of Mr. Thompson appears on p. 151.

Is this committee aware that correspondence training is the top choice of active-duty service people? Over one-third of Vietnam-era service personnel chose home study as a method of study.

Is this committee aware that the largest supplier of home study courses in the United States is the military? Various armed services trained over 1 million students a year using this cost-effective method. No one could claim that these courses or avocational or recreational.

Is this committee aware that correspondence training is effective? This training method helps get nonprodutive and underproductive veterans into useful civilian jobs fast.

Home study courses are practical and vocational. Home study has long been used by business and industry for internal personnel training. As part of company training programs, private business spends millions, rather, tens of millions of dollars annually enrolling employees in the same courses that the VA would rule as ineffective and/or avocational.

Is this committee aware that correspondence courses reach out to train veterans who are geographically isolated, homebound by war injuries, or unemployed and unwilling to attend residence schools with people who are many years younger?

Is this committee aware that according to study by the National Center for Education Statistics home study tuitions are considerably less than those of residence schools. Further, under the current GI bill, home study students are paid only 55 percent of the tuition amount, not a monthly stipend.

Is the committee aware that veterans studying by correspondence under the current GI bill are paid only after they have completed their lessons? This is an after-the-fact payment method and makes overpayments impossible.

Is the committee aware that eliminating correspondence training from the GI bill forces thousands of service people and veterans into higher-cost residence schools? Because attendance at residence schools costs more, any savings realized by cutting out home study will be completely nullified.

We submit that home study schools have done the Nation a service by providing high quality career vocational training to over 1 million veterans since World War II. If anything, home study should be commended by Congress for helping to reach out and enhance the employability of veterans who might otherwise never have taken any other avenue toward employability.

We submit that if Congress asks correspondence students if they have benefited from this method of study, the overwhelming response will be "yes."

We submit that correspondence training has, for over 3 decades, helped underemployed or unemployed veterans, disabled or isolated veterans, and older or disadvantaged veterans, and opened for these veterans the door to educational opportunity.

We submit that home study benefits will help attract qualified people into the military.

We respectfully submit that it is in the Nation's best interest that Congress encourage greater participation by veterans in correspondence training, to put more people back to work to get this country going again.

We face a need in our society to provide our veterans and service people with more ways to obtain specific, on-related training. We must make better use of alternative forms of education like home study that, by their nature, fill critical gaps in our educational system.

Home study is going to continue to grow in the military, in the Government, and in civilian circles because there will be future generations of people who will not be able to report regularly to a classroom to learn, but who, nonetheless, need and deserve the right to study on their own, wherever they wish, and at their own learning pace.

America needs home study as never before, and Congress should support this educationally effective, energy efficient, low-cost way to train people.

[The prepared statement of Mr. Thompson appears on p. 151.]

Mr. EDGAR. Thank you very much.

As you know, this controversy, this issue, has been with us for some time. There has been attempts of several administrations to eliminate altogether correspondence training. This year and last year, I not only voted against the elimination, but this year I voted against the submission of our budget totally to the House. The whole question of correspondence training is not a very popular one on Capitol Hill at this period of time, and you defend it well in your statement, but I am not sure there are as many advocates as there were several years ago when the GI Bill was a little more aggressively used and more expansive.

So while I think your statement is well put, I am not very optimistic for you on the whole issue. It seems to me that Federal dollars for correspondence training have been under fire aggressively by administration sources, at a time when we're spending as much as we're spending on our defense commitment, and as much as we're giving our revenues away in tax reductions, the limited moneys we have left are being jealously protected in larger areas more broader than correspondence training.

Mr. EHRLICH. It seems unusual, though, Mr. Chairman, that at a time when all these facts as you are relating them are happening, the military has trained at the present time, over 1 million students a year, in correspondence training. Agencies like the Marine Corps Institute, the Army, the Air Force and others, are accredited members of our National Home Study Council. So on the one hand the administration says there is a lack of commitment, and on the other hand, there is a total commitment in the Armed Forces to home study training. It seems rather incongruous that on the one hand we can see no need, when the Armed Forces depend very much on home study.

For example, in the Marine Corps, if you want to reach a higher step on the ladder in the Marine Corps, you had better make sure you do take home study training. Over 200,000 of those Marine Corps officers and men are enrolled in home study training.

Mr. EDGAR. I am sure you are aggressive in communicating that to the Armed Services Committee that has jurisdiction over the military. I am not going to defend our Defense Department. I am at war with them right now on the issue of a new GI Bill for the All-Volunteer Military, which I think is important and necessary

and needed now, and yet we have a great deal of testimony from some of the higher ups within the Defense Department that they simply can't afford that. I am interested that they are able to afford some commitment towards correspondence training and see the value of education in one area and not in another, so you and I will have our work cut out for us in communicating the value and need for education. I appreciate your sharing some of that in your testimony.

Mr. EHRLICH. One last thing. Mr. Thompson would like to extend an invitation to your committee or your staff, or both, to actually see a home study school operation. In Mr. Thompson's testimony, he included some of the letters he has received from students in terms of what home study has done for them. He is located here in Washington and we would like to extend an invitation to you and members of your subcommittee or staff to visit a real live home study school and see what goes on and what type of training is given and the type of responses we get from students, veteran students.

Mr. EDGAR. I appreciate that invitation and we will pursue the possibility of taking you up on it. Also, I have to inform you that every one of those students who is enrolled in your correspondence course let me know about it last year, and——

Mr. EHRLICH. We would certainly hope they did, sir.

Mr. EDGAR. We have buckets of mail to——

Mr. THOMPSON. We have a feeling they are going to do it again.

Mr. EDGAR. If they do it again, tell them that they may or may not get an answer. We may send them a form postcard back—No, I'm teasing. I appreciate their enthusiasm and their interest.

There are a number of people who are taking correspondence courses who not only enjoy the process but are learning aggressively by it and I understand your cause. I think that in the time of tight budgets your cause sits on a back burner and it is clearly up to you and the students to make it a more front burner issue. You have a difficult road in front of you.

Mr. THOMPSON. We will survive very well. But I suppose the primary argument, even when we're into this cost-cutting exercise, which is crucial and as taxpayers we appreciate that, but we can't emphasize too strongly the cost effectiveness of home study.

To give a number of people a million dollars, and you want to take some individuals who are entry-level types and bring them up to a level of efficiency where they are employable, say, as computer technicians, we will train three times as many for less money. I will stand on that comment. So, taking these people and turning them away from correspondence schools and, in essence, forcing them into residence schools, is going to cost the Federal Government more.

Mr. EDGAR. We're just getting Government off your back and out of your pocketbook.

Mr. EHRLICH. We would appreciate your support, sir. We need it and we're going to continue to pursue it, because we think we are doing a proper job in this area.

Mr. THOMPSON. I do repeat what Mr. Ehrlich said about a cordial invitation. I suspect the only ones in this room who have visited and had an opportunity for a close appraisal of a correspondence

school operation is our entourage sitting back here. But, very cordially, I invite any and all of you to come up and walk through and talk to people, pick up the phone and talk to students, look at testimonial letters, look at the courses, the quality of the programs, and judge for yourself the merits before there is any final ruling on whether or not we are in this for fun rather than education.

Mr. EDGAR. Thank you very much.

Mr. THOMPSON. Thank you.

Mr. EDGAR. Mr. Jack Davis, Asheville-Buncombe Technical Institute, Asheville, N.C., accompanied by Mr. James A Kiser, and Mr. Ron Miriello.

Mr. Davis, your full statement will be made a part of the record.[1] We appreciate your patience today.

STATEMENT OF JACK DAVIS, VICE PRESIDENT FOR STUDENT SERVICES, ASHEVILLE-BUNCOMBE TECHNICAL COLLEGE, ASHEVILLE, N.C.; ACCOMPANIED BY JAMES A. KISER, JR., COORDINATOR OF THE DEPARTMENT OF STUDENT SERVICES, SOUTH CAROLINA BOARD FOR TECHNICAL AND COMPREHENSIVE EDUCATION, COLUMBIA, S.C.; AND RON MIRIELLO, DIRECTOR OF ADMISSIONS, FAYETTEVILLE TECHNICAL INSTITUTE, FAYETTEVILLE, N.C.

Mr. DAVIS. Thank you, Mr. Chairman. We certainly appreciate the opportunity to be here, and our concerns quite obviously are in the educational realm, since that is the area of our background and current employment.

I would like to address H.R. 5673, the administration's bill. They recommend the elimination of the required 50-percent graduate employment survey for veterans in noncollege degree programs. We strongly support this recommendation, but with one qualification. The qualification is that within courses currently barred, which is approximately 3 percent according to a VA report, any course which failed to meet the survey requirements for two consecutive reporting periods, in our view, should continue to be disapproved and subject to the existing requirements until compliance is demonstrated for one reporting period, unless the Administrator finds mitigating circumstances. We see no reason to automatically release these courses from the requirement. If they haven't been satisfactory in the past, just simply doing away with the requirement doesn't make them satisfactory.

We find that we can support all other provisions of H.R. 5673, with the exception of sectin 209. This section would essentially permit the Administrator to approve or disapprove courses which, as described in section 1772, is a responsibility of the individual States in which State approving agencies exist.

Section 1771(b) permits approval and/or disapproval by the Administrator only in the event a state "* * * fails or declines to create or disignate a State approving agency * * *" Further, the Administrator is authorized by another section to approve "* * * courses of education offered by any agency of the Federal Govern-

[1]The prepared statement of Mr. Kiser appears on p. 155.

ment." We feel that these sections show that the clear intent of Congress is that approval is basically a State responsibility.

If the VA feels the procedures currently in use are too slow to effectively stop overpayments in a timely manner, then the procedures should be changed through cooperation with the State approving agencies.

Our argument—and we want this made clear—is not with the action to be taken, but with who, by law, should have the authority to take such action. The proposal by the VA to allow the Administrator to approve or disapprove courses would be an infringement on the prescribed responsibilities of individual State approving agencies and we feel it would establish a dangerous precedent.

We would like to direct your attention to a couple of more items, since this is an oversight hearing, a couple of areas that we feel need clarification or modification and will enable a much more fair delivery of educational services to our student veterans.

In section 1788, the paragraph below clause 6 beginning with the word "Notwithstanding" provides a credit-hour formula for measuring vocational or noncollege degree courses, and is intended to provide relief from the out-dated clockhour method of measurement used for vocational courses established immediately after World War II.

The VA has placed a literal interpretation on the word "hour" used in this formula for laboratory and shop courses. This interpretation permits rest periods of 10 minutes each hour with the exception of the last hour in a laboratory or shop course. Thus, class change time is disallowed for payment purposes. This interpretation can cause the reduction of certain veterans from full-time to part-time pay status. Institutions of higher learning have traditionally used a 50-minute class hour and are not inclined to alter the entire college class schedule to accommodate the VA's interpretation.

This problem can be alleviated by the addition of the following statement to section 1788 at the end of the paragraph beginning with the word "Notwithstanding." Our suggested statement is as follows:

"The term 'hour' referring to laboratory and shop portions shall be defined as 50 minutes. This is to allow 10 minute intervals per clock hour for rest period and/or changing classes. Such 10 minute intervals shall not be accumulated." It might be the desire of the committee to simply put in a statement in the committee report that would clarify this and would not necessitate any change in the legislation itself.

A second area of concern to us is attendance reporting for veterans in noncollege degree programs. Since no attendance requirements are imposed on veterans attending IHL type institutions—and we would like to point out many times these are in the same colleges as NCD students—we strongly feel that the same treatment should be afforded to veterans in NCD courses. Section 1780(a)(1) should be equally applied to either type of course, thus allowing colleges to control attendance in a fair and equitable manner for all its students. This discrimination toward veterans in vocational programs is long standing and should not be perpetuated.

I would like to skip through now and go a little bit into the problems the veterans are having with the current absence reporting procedures.

There are examples where a veteran with perfect attendance, perfect attendance, can have their pay reduced due to excessive absences. I repeat, veterans with perfect attendance can have their pay reduced due to excessive absences, even though such absences are built into the system and are totally beyond the control of the veteran.

To compound the absurdity of the situation, the veteran's pay is based on a 30-day month, yet his reduction in pay for excessive absences can be based on as little as a 20-day month. Thus, the veteran is penalized a day and a half for each day of absence determined to be excessive. We are certain that it is not the committee's intention to have veterans penalized in this manner. Therefore, we recommend that if the committee sees fit to retain section 1780(a)(2), the section be rewitten to require absence reporting only for those days during which a student can actually attend classes.

Our final recommendation addresses annual compliance surveys required of the VA by section 1793, title 38, United States Code.

It is our observation that the Veterans' Administration assigns a compliance specialist an "easy" school—that is, one with an excellent record of compliance—just prior to his assignment to a "tough" case. We can appreciate the fairness of such a system; yet, in the interest of cost saving, we recommend the elimination of annual surveys required by section 1793 in favor of a 3-year cycle for schools, without regard to size or type of programs, which have a history of no major discrepancies on compliance surveys. This would be determined by the Administrator. Obviously, in these days of reduced funding, staffing, and fewer student veterans, this approach will enable the VA to place its emphasis with those schools which need the most help.

Mr. Chairman, we appreciate this opportunity to testify. We would be happy to respond to any questions.

We would like to compliment you, sir, on your vast knowledge and interest that has been so obvious here today with veterans' education.

[The statement of Mr. Davis appears on p. 155.]

Mr. EDGAR. Thank you for that.

Mr. Miriello or Mr. Kiser, do you have anything you would like to add to the statement, or anything from your experience you would like us to know about in this area of veterans' education and employment?

Mr. KISER. The only thing I would have—I am Jim Kiser and I represent sixteen 2-year colleges in the State of South Carolina. It is a State-supported system.

You will note that throughout the testimony our major concern has been really basically inequities that exist between students pursuing degrees and students pursuing "nondegree" programs. They may be certificate programs or the student earns some other kind of credential other than a degree. This has been one of our major focuses for a number of years as we have worked together in South Carolina and my colleagues in North Carolina to try to re-

lieve some of these inequities. That is kind of the theme of our whole testimony.

Mr. EDGAR. Do you call them community colleges?

Mr. KISER. Yes, sir, community colleges in North Carolina, and they are called technical colleges in South Carolina.

Mr. EDGAR. Mr. Miriello, do you have any comments?

Mr. MIRIELLO. Yes, sir. I am Ron Miriello of the Fayetteville Technical Institute, Fayetteville, N.C., with a large veteran population.

I would like to simply make a point of clarification and expand just a minute or two on the absence procedures and in inequities involved between these people who may be majoring in a vocational area, even though they are attending an institution that offers both associate degrees and diploma programs.

The veteran who is going into that vocational program is being penalized for missing classes which, of course, most of the times are beyond his control. Most of these veterans are playing the role or are carrying out the responsibilities of a spouse, a father or parent, a full-time student trying to get educated, and they are also carrying out the responsibilties of a breadwinner and trying to work, with all this responsibility on that one individual who should be treated as an adult. Like the other veterans who are majoring in associate degree programs, they should be offered that opportunity. To count this student absent during a period of time in which the school is closed beyond his control and to dock him pay for that purpose is just beyond our comprehension or reasoning.

We have documented in the past before this committee, in 1978, an instance in an institution where I worked, a case where a student could miss 32 days in 1 year. He is allowed 30 days of absences and he could have perfect attendance but miss 32 because of the school break days between the four quarters of school. He is docked the pay.

Mr. DAVIS. I might say, Mr. Chairman, that 30 days absence per year seems quite adequate, and coupled with my recommendation that the law be rewritten to include only those days in which the veteran could attend. Certainly we would like to see that accompanied by a lesser number of allowed absences. It is only equitable.

Mr. EDGAR. I think that throughout all of your testimony you are just asking for equity between 2- and 4-year institutions and some clear understanding from the Federal Government point of view that we understand the differences between those institutions.

I was a chaplain at a 5-year institution, which was a vocational program at Drexel University that provided for the first and last years being a full year, but the middle intervening years being 6 months of education and 6 months of vocational training. So there are a lot of different kinds of combinations of education and your call for equity I think is helpful.

Mr. DAVIS. We are aware, of course, of the history right after World War II, with the "fly-by-night" vocational schools that created many of these laws necessarily. Our effort for the last 12 or 13 years has been to try to bring things up to more modern-day standards of vocational and technical education.

The accrediting agencies are much more influential and forceful these days than they were at that time, and certainly the thrust of

vocational and technical education has changed drastically from the old Smith Hughes approach of putting the fellow in the shop and let him work with the mechanic, and if he learns any math or English or blueprint reading, he learns it from that same fellow. We have our vocational students taking math courses taught by the same instructor that the degree person is being taught by. Yet there is so much difference in the treatment.

Mr. EDGAR. Thank you very much for your testimony today. I appreciate it.

Mr. DAVIS. Thank you, sir.

Mr. KISER. Thank you.

Mr. EDGAR. I think our final witness is Thomas Wincek, president of the Vietnam Veterans Foundation.

Before you begin, I would like to express my appreciation to Dorothy Starbuck and—I will call her the "bomber pilot"—for staying, and her "fighter escorts" staying as well. It is really a pleasure to have you here and I appreciate your listing to the fine detail which you have a reputation of doing. So I appreciate that.

Gentlemen, we appreciate your being here. I hope you will introduce yourselves for the record. You have heard a lot of testimony today, a lot of input, and we hope you can summarize your statement.

STATEMENT OF THOMAS WINCEK, PRESIDENT, VIETNAM VETERANS FOUNDATION, ACCOMPANIED BY ROBERT SNIFFEN AND FRANCIS X. BOYLE, VICE CHAIRMEN OF THE VIETNAM VETERANS FOUNDATION

Mr. WINCEK. Thank you, Congressman.

My name is Tom Wincek and I am chairman of the Vietnam Veterans Foundation. Accompanying me, on the right is Robert Sniffen, the executive vice chairman, and Mr. Frank Boyle, who is also a vice chairman of the Vietnam Veterans Foundation.

We would like to commend you, Mr. Edgar, for holding these particular hearings and also for the recent letters to both President Reagan and also to Congressman Boland on appropriations for the $25 million loan program.

Congressman, we have been working on this small business issue over the last 3 years, and primarily with the Small Business Administration, and have participated in the six congressional hearings that took place over the last 18 months on this issue.

One of the things I would like to comment on is that, quite frankly, the Veterans' Administration's attitude, as far as not having the ability or desire to administer the small business loan program.

If you look at the appropriation, which was $25 million, spread that over 50 States, basically that would be $500,000 per State. If veterans were to get the whole maximum authorization of the law, which is $200,000, that would basically be 2½ loans per State. For the VA to say they would have difficulty in administering that small a program does raise some serious questions.

At the same time, Congressman Edgar, last week in the Washington Post appeared an article which the same administration announced a $35 million program for minority small businesses, and

the $35 million is to set up 100 consulting centers in 37 States that would assist small businesses owned and operated by minorities in the area of marketing, Government contracts, and business opportunities. So on the one hand, $35 million is set aside for minority businesses, yet we hear there isn't $25 million to handle the loan program for disabled and Vietnam veterans.

The other thing you made mention about was the Small Business Administration. I think one of the things that has happened and is consistently happening is that the brunt of the problem is being thrown back to the SBA. SBA is a very small agency with roughly 4,000 employees. As a matter of fact, I think the Veterans' Administration added twice as many employees as SBA has in entirety. For them to remain to be the place that is going to solve the problems for veterans to get loans leaves a lot to be desired.

I did sit on the last two SBA task forces that have been set up in regards to dealing with this issue, and I did cochair the finance committee with the Associate Administrator for Finance of the SBA. As a result of the task force recommendations, the Administrator of SBA, on May 14, came out with a policy statement that said that as far as their loan program goes—and SBA does have over $2 billion of money in their guaranteed loans—that disabled and Vietnam veterans would be given a priority.

Next to their $2 billion, the $25 million that the VA had requested is really a small amount of money. But I believe the two agencies must work together, if the Government is to fulfill their commitment of giving priority to disabled and Vietnam veterans in their $2 billion loan program, a program would, in fact, be initiated.

One of the other things that has happened is that the Small Business Administration has appointed 100 veterans affairs officers in their 100 district offices. At the same time—and I would like to submit this for the record—the VA Administrator, Bob Nimmo, sent a letter on May 3 to Jim Sanders, the SBA Administrator, stating that he would appoint a veterans business coordinator in each one of their regional offices. To this day, I don't believe that has happened. But if he fulfills his commitment, we would virtually have 153 people assigned to deal with this one issue of small business development for disabled and Vietnam veterans. Short of implementing the whole $25 million program, I would hope, Congressman, that you would hold the VA accountable for their commitment to appoint in each regional city a veterans business coordinator.

The other thing that I would like to briefly address myself to is that if in the near future yourself, in conjunction with Congressman Montgomery, could hold some oversight hearings as to, one, how is the SBA going to implement the regulations that we did work over several months to come up with. It is a grandiose plan, and again they have very few resources to have the ability to implement it.

Also, the committee should take a close look at policy statement that the SBA Administrator, Jim Sanders, came up with on May 14, to see how that plan was going to be implemented.

One last statement concerns the interest on this particular loan program, if it was enacted, I think that some consideration should

be given as to what percentage the interest rate would be for these loans. I know the Export-Import Bank gives their loans out at 12 percent to favorable countries. I am sure that disabled and Vietnam veterans, being favorable citizens, should at least be given the same interest rates as we do other people within the Government, and to other countries.

So, with that, Mr. Chairman, I would conclude my remarks and submit for the record the recommendations that came up from the SBA task force. Again, these are only recommendations and they still need to be implemented.

Mr. EDGAR. Without objection, they will be made a part of the record.

Mr. WINCEK. Also, that our written statement and the 1982 legislative goals of the VVF be made a part of the record.

That concludes my statement, Mr. Chairman.

[The statement of Mr. Wincek appears on p. 157.]

Mr. EDGAR. Thank you very much.

Do the gentlemen with you want to introduce themselves and make a comment?

Mr. SNIFFEN. Yes, Mr. Chairman. My name is Robert Sniffen. I am not a Vietnam veteran. I am a disabled veteran who has worked on behalf of Vietnam veterans over some 13 years. In taking a long view here, I know many times we have come before Congress and asked Congress to do its part. In this case, in reference to the Small Business Loan Act, Congress has done its part. Through your efforts we now have a law signed by the President which is the law of the land. Any rationalizations the VA could put forth is I think is a violation of Congress' intent. So we have a law that is passed, that is to be implemented, not to be discussed any further, and the money needs to be funded.

I have watched over many years where we were able to come up and say, "Congress, you haven't done your job." In this case, you have more than done your job. It has been a commendable effort. I don't know if it is going to be extraordinary enough to make this loan program a reality, but I would suggest that should the VA not implement this program, should the Administration not want to appropriate funds for this program, I would recommend and encourage the Congress to again sue the Administration as you have been forced to do on other issues affecting Vietnam veterans.

Thank you.

Mr. EDGAR. Very good.

Mr. BOYLE. I am Frank Boyle, Vietnam Veterans Foundation.

I commend you, Mr. Chairman, and I just want to say on that issue of funding, the one with the commerce program for minorities, The Commerce Department is not handling it. It is done with private contractors and taken out of the hands of the bureaucrats. It is contracted out privately.

Thank you, sir.

Mr. EDGAR. One question I do have.

Since you have served on several of the task forces, and since the Small Business Administration has come out with a favorable statement as of the first part of May about special consideration for Vietnam veterans, how will we know if it's working?

Mr. WINCEK. I think the initiatives that they try to come up with as they break it into their four sections of SBA. One is in their finance division, of their $2 billion guaranteed loan allotments, I guess how many disabled and Vietnam veterans actually received loans would be a measurement of that particular area.

In the area of procurement, which is their other section, there is currently now 5,000 veteran-owned businesses registered with the Small Business Administration as far as wanting to sell their services and products to the Federal Government.

I think a lot of has been mentioned about Vietnam veterans going into business. There are many, many thousands that are already in business that could use these particular loan programs.

In the management assistance programs of SBA, they have begun, efforts to launch nine pilot projects to set up small business training seminars for disabled and Vietnam veterans. I might add Pennsylvania was one of the States that they had selected. Minnesota has already taken the initiative. The Governor and Senator Boschwitz from that area are proceeding with eventually setting up some small business centers for disabled and Vietnam veterans.

So I guess the only way that any measurements that could actually take place is how many Vietnam veterans actually get contracts in the Federal Government, how many loans actually get administered to disabled and Vietnam veterans from their guaranteed loan program. I guess that remains to be seen. But we do strongly suggest, Congressman Edgar, that you personally have a meeting with Jim Sanders on these issues. By far he is the most cooperative Administrator that we have had, even though he is faced with the same problem of having insensitive bureaucrats that administer the programs. He has taken the lead, even though he has gotten a lot of internal heat for coming out with this particular policy. He did say, as far as the SBA is concerned, veterans will be given priority, especially disabled and Vietnam veterans. That also remains to be seen if that actually is going to happen.

Mr. EDGAR. Thank you very much for your testimony and for your experience. I appreciate your sitting through the hearings today.

Mr. WINCEK. Thank you, Congressman.

Mr. EDGAR. This hearing will stand adjourned.

[Whereupon, at 2:10 p.m., the subcommittee was adjourned.]

APPENDIX

97TH CONGRESS
2D SESSION

H. R. 5673

To amend title 38, United States Code, to make adjustments and improvements in the vocational rehabilitation and education programs administered by the Veterans' Administration, and for other purposes.

IN THE HOUSE OF REPRESENTATIVES

MARCH 2, 1982

Mr. MONTGOMERY (by request) introduced the following bill; which was referred to the Committee on Veterans' Affairs

A BILL

To amend title 38, United States Code, to make adjustments and improvements in the vocational rehabilitation and education programs administered by the Veterans' Administration, and for other purposes.

Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled, That (a) this Act may be cited as the "Veterans' Rehabilitation and Education Adjustment Act of 1982".

(b) Except as otherwise expressly provided, whenever in this Act an amendment or repeal is expressed in terms of an amendment to, or repeal of, a section or other provision, the

reference shall be considered to be made to a section or other provision of title 38, United States Code.

TITLE I—REHABILITATION AMENDMENTS

SEC. 101. Section 1508 is amended by—

(1) amending subsection (b) to read as follows:

"(b) Except as otherwise provided in this section, the Administrator shall determine the subsistence allowance to be paid to a veteran under this chapter in accordance with the following table, which shall be the monthly amount shown in column II opposite the appropriate type of program being pursued as specified in column I:

"Column I—type of program	Column II—monthly amount
Institutional training:	
Full-time	$282
Three-quarter-time	$212
Half-time	$141
Farm cooperative, apprentice, or other on-job training:	
Full-time	$246
Extended evaluation:	
Full-time	$282
Independent living training:	
Full-time	$282
Three-quarter-time	$212
Half-time	$141";

and

(2) amending subsection (g) to read as follows:

"(g) No subsistence allowance may be paid under this section in the case of any veteran who is pursuing a rehabilitation program while incarcerated in a Federal, State, or local penal institution for conviction of a felony.".

TITLE II—EDUCATIONAL ASSISTANCE PROGRAM ADJUSTMENTS

SEC. 201. Section 242 is amended by adding at the end thereof the following new subsection:

"(c) The Administrator may establish veterans benefits counselors at locations such as school campuses to provide assistance regarding benefits under this title to veterans and eligible persons and to conduct outreach as provided for under this subchapter.".

SEC. 202. (a) Section 243 is repealed.

(b) The table of sections at the beginning of chapter 3 is amended by striking out

"243. Veterans' representatives.".

SEC. 203. Section 1652(b) is amended by striking out "402(a) of the Economic Opportunity Act of 1964 (42 U.S.C. 2902(a))" and inserting in lieu thereof "section 7(i) of the Small Business Act (15 U.S.C. 636(i))".

SEC. 204. Section 1673(a) is amended by—

(1) striking out "(1)" before "The";

(2) repealing paragraph (2) in its entirety;

(3) redesignating clauses (A), (B), (C), and (D) as clauses (1), (2), (3), and (4), respectively; and

(4) amending clause (2) (as redesignated by clause (3) of this section) to read as follows:

"(2) any sales or sales management course which does not provide specialized training within a specific vocational field;".

SEC. 205. Section 1673(d) is amended by inserting immediately after the first sentence the following:

"Notwithstanding the above, veterans described in section 1691(c) of this title pursuing secondary school courses will be subject to the 85 percent restriction.".

SEC. 206. Section 1682 is amended by—

(1) amending the second sentence of subsection (e) by striking out "at one-half of the full-time institutional rate" and inserting in lieu thereof "in accordance with the rate of pursuit but in no event more than the less than half-time rate"; and

(2) amending subsection (g) to read as follows:

"(g) The amount of the educational assistance allowance paid to an eligible veteran who is pursuing a program of education under this chapter while incarcerated in a Federal, State, or local penal institution for conviction of a felony may not exceed such amount as the Administrator determines, in accordance with regulations which the Administrator shall prescribe, is necessary to cover the cost of established charges for tuition and fees required of similarly circumstanced nonveterans enrolled in the same program and to cover the cost of necessary supplies, books, and equipment,

or the applicable monthly educational assistance allowance prescribed for a veteran with no dependents in subsection (a)(1) or (c)(2) of this section or section 1787(b)(1) of this title, whichever is the lesser. Except for payment for necessary books, supplies, and equipment required of similarly circumstanced nonveterans, no benefits shall be payable for any course for which there are no tuition or fees.".

SEC. 207. Section 1723(a) is amended by—

(1) striking out "(1)" before "The";

(2) repealing paragraph (2) in its entirety;

(3) redesignating clauses (A), (B), (C), and (D) as clauses (1), (2), (3), and (4), respectively; and

(4) amending clause (2) (as redesignated by clause (3) of this section) to read as follows:

"(2) any sales or sales management course which does not provide specialized training within a specific vocational field;".

SEC. 208. Section 1780(a) is amended by striking out clause (6).

SEC. 209. Section 1790(b)(2) of title 38, United States Code, is amended by adding at the end thereof a new paragraph (3) to read as follows:

"(3) Notwithstanding the evidence required to discontinue educational assistance to an individual eligible veteran or eligible person under paragraph (2) of this subsection, the

Administrator may discontinue such assistance to eligible veterans and eligible persons already enrolled, and may disapprove the enrollment of any eligible veteran or eligible person, in any course where the Administrator finds that (A) the course fails to meet any of the approval requirements of this chapter or (B) the educational institution offering the course has violated the recordkeeping or reporting requirements of this chapter or chapter 31, 32, 34, or 35 of this title and, having been advised of such violation(s), has failed to take reasonable corrective action. Whenever the Administrator so discontinues such assistance, the Administrator shall give notice as required under paragraph (2) of this subsection.".

SEC. 210. Section 1798(e)(3) is amended to read as follows:

"(3) The Administrator shall submit to the appropriate committees of the Congress not later than December 31 of each year a report on the current results of the continuing review required by subsection (g)(1) of this section to be made regarding the default experience with respect to loans made under this section and any steps being taken to reduce default rates on such loans. Such reports shall include—

"(A) data regarding the cumulative default experience, and the default experience during the preceding year, with respect to such loans; and

"(B) data regarding the default experience and default rate with respect to (i) loans made under this section in connection with accelerated payments under section 1682A of this title, and (ii) loans made under this section.".

TITLE III—REPEAL OF AUTHORITY TO PURSUE CORRESPONDENCE TRAINING

SEC. 301. Section 1631(c) is repealed.

SEC. 302. Section 1652(c) is amended by striking out "correspondence school,".

SEC. 303. Section 1681(b) is amended by striking out ", a program exclusively by correspondence or".

SEC. 304. Section 1684 is amended to read as follows:

§ 1684. Apprenticeship or other on-job training

"Any eligible veteran may pursue a program of apprenticeship or other on-job training and be paid a training assistance allowance as provided in section 1787 of this title.".

SEC. 305. Section 1701(a)(6) is amended by striking out "correspondence school,".

SEC. 306. Section 1734 is amended by—

(1) striking out subsection (b) thereof;

(2) striking out "(a)"; and

(3) amending the catch line at the beginning thereof to read as follows:

"§ 1734. Apprenticeship or other on-job training".

SEC. 307. Section 1780 is amended by—

(1) striking out in subsection (a) ", a program by correspondence or";

(2) striking out clause (5) of subsection (a);

(3) inserting "or" at the end of clause (3) of subsection (a);

(4) striking out the semicolon at the end of clause (4) and inserting in lieu thereof a period;

(5) repealing subsection (b) and the center heading which immediately precedes such subsection;

(6) redesignating subsections (c), (d), (e), (f), and (g) as subsections (b), (c), (d), (e), and (f), respectively;

(7) striking out in subsection (d) (as redesignated by clause (6) of this section) "(d)" and inserting in lieu thereof "(c)"; and

(8) striking out in subsection (e) (as redesignated by clause (6) of this section) "(d)" and inserting in lieu thereof "(c)".

SEC. 308. Section 1784 is amended by—

(1) striking out in subsection (a) ", or, in the case of correspondence training, the last date a lesson was serviced by the school"; and

(2) striking out in subsection (c) "(d)" and inserting in lieu thereof "(c)".

SEC. 309. Section 1786 is repealed.

SEC. 310. Section 1798(c) is amended by striking out "correspondence or".

SEC. 311. The table of sections at the beginning of chapter 34 is amended by—

(1) striking out

"1684. Apprenticeship or other on-job training, correspondence courses.";

and

(2) inserting in lieu thereof

"1684. Apprenticeship or other on-job training.".

SEC. 312. The table of sections at the beginning of chapter 35 is amended by—

(1) striking out

"1734. Apprenticeship or other on-job training, correspondence courses.";

and

(2) inserting in lieu thereof

"1734. Apprenticeship or other on-job training.".

SEC. 313. The table of sections at the beginning of chapter 36 is amended by striking out

"1786. Correspondence courses.".

SEC. 314. Section 604(a) of the Act of October 24, 1972, entitled the "Vietnam Era Veterans' Readjustment Assistance Act of 1972" (86 Stat. 1099) as amended by section 3 of the Act of July 10, 1974, entitled "An Act to amend title 38, United States Code, to provide a ten-year delimiting period for the pursuit of educational programs by veterans, wives, and widows" (88 Stat. 292), is amended by

striking out the following: "(1) eligible to pursue a program of education exclusively by correspondence by virtue of the provisions of section 1786 of such title (as added by section 316 of this Act) or (2)".

TITLE IV—MISCELLANEOUS PROVISIONS AND EFFECTIVE DATES

SEC. 401. Section 3102(a) is amended by striking out "two years" and inserting in lieu thereof "180 days".

SEC. 402. The amendments made by sections 101(1), 204 and 207, and Title III shall become effective on October 1, 1982.

[No. 73]

COMMITTEE ON VETERANS' AFFAIRS, HOUSE OF REPRESENTATIVES

Office of the Administrator of Veterans Affairs

Washington D.C. 20420

Veterans Administration

FEB 22 1982

Honorable Thomas P. O'Neill
Speaker of the House of Representatives
Washington, D.C. 20515

Dear Mr. Speaker:

Enclosed is a draft bill entitled the "Veterans' Rehabilitation and Education Adjustment Act of 1982," which I request be introduced and promptly enacted. Also enclosed is a section-by-section analysis of the measure.

The proposals being made are, with three exceptions, relatively minor program revisions, which, in many cases, result from the enactment of Public Law 96-466 in October 1980 and Public Laws 97-35 and 97-72 in 1981. The three exceptions are the discontinuance of additional chapter 31 subsistence allowances for dependents, repeal of the 50 percent employment reporting requirement in our vocational education program, and elimination of VA authority to provide educational assistance benefits for the pursuit of correspondence training.

The Veterans Administration is proposing to discontinue payment of additional vocational rehabilitation subsistence allowances on behalf of dependents. Title 38, United States Code, now provides that service-connected disabled veterans whose disability ratings are 30 percent or more shall receive additional disability compensation for dependents. This same group of veterans also receives an added chapter 31 allowance for dependents. Until 1978, these dependents' allowances were paid only to those veterans with disability ratings of 50 percent or more. Veterans whose disabilities are rated at less than 50 percent are likely to be fully employed and in a position to provide for their families without added Federal Government aid. Accordingly, the Veterans Administration is proposing in other legislation that additional disability compensation benefits for dependents be provided only to veterans with disability ratings of 50 percent or more. Moreover, the added chapter 31 allowance for dependents constitutes a duplication of assistance, since the same veterans are already receiving disability compensation dependents' allowances. This proposal would eliminate that duplication by discontinuing the chapter 31 allowances.

Honorable Thomas P. O'Neill, Jr.

The second major amendment included in the draft proposal calls for repeal of the requirement that vocational schools report on the numbers of graduates who, during the preceding 2-year period, have obtained employment in the field for which the school has provided training.

The so-called "50 percent employment rule" was established with the enactment of Public Law 93-508 in 1974. The purpose of the rule was to prevent and mitigate against abuses of the VA's education programs by requiring schools to show that the vocational objective courses they offer can demonstrate a 50 percent placement record over the preceding 2-year period.

At the time the 50 percent employment rule was enacted, there were over 600,000 veterans enrolled in vocational training. This compares with approximately 65,000 veterans currently enrolled in such training. In addition, enrollments of veterans in vocational training will continue to diminish substantially in the year ahead.

It should be pointed out that vocational schools have begun to exercise a greater role in employment planning for students who take these types of courses and in the utilization of the training to match employment needs. The latest statistics available to the Veterans Administration disclose that, as of last Spring, there were approximately 22,000 courses on which reports had to be filed. Of this total, only about 3 percent of these courses were being disapproved for failure to meet the 50 percent employment requirement. The preparation and filing of these reports is very costly, necessitating approximately 324 man-years of effort on the part of schools each year to meet these requirements.

As mentioned above, the requirement was initially established to prevent abuses in vocational training programs which had become apparent to the Veterans Administration. At the time the requirement was first implemented, about 25 percent of the courses being reported on were disapproved for failure to meet the employment criteria, compared to the most recent rate of 3 percent. Thus, the requirement has had the salutary effect of making schools aware of the need to provide requisite training to meet employment needs. We believe that the requirement has now served its basic purpose.

The third major amendment to current law contained in the draft proposal would terminate authority to provide VA educational assistance for the pursuit of correspondence training.

Honorable Thomas P. O'Neill, Jr.

In enacting all three GI Bill programs--World War II, Korean conflict, and post-Korean conflict--the Congress intended that the educational assistance provided would be a readjustment benefit designed to (a) extend the benefits of a higher education to qualified and deserving persons who might otherwise be unable to afford such an education; (b) provide vocational readjustment and restore lost educational opportunities to those individuals whose careers had been interrupted by military service; and (c) aid such individuals to attain the educational and vocational status they would have attained but for their service to their country. Benefits for pursuit of training programs, such as correspondence training, were designed to assist individuals to obtain necessary skills and enable them to find employment.

It is the position of the Veterans Administration that the correspondence training program has not met the objective of providing substantial employment for those trained, and that many individuals have used this program primarily for recreational or avocational purposes. This position is supported by three studies made in recent years concerning this program which are fully discussed in the section-by-section analysis.

In summary, our years of experience in administering education programs for veterans and other eligible persons convince us that correspondence courses have not fulfilled their intended purpose of aiding the beneficiary to adjust to his or her changed circumstances by providing the training required for employment. It is our conclusion that the ineffectiveness of this program, along with the potential for continued misuse, warrants its termination.

The other proposals we have included in the draft measure are set forth in detail in the enclosed section-by-section analysis.

Briefly, I am recommending repeal of the authority for the Veterans' Representatives (Vet Rep) program (section 202). I am also recommending several amendments to various sections in title 38 pertaining to payment of educational benefits to incarcerated persons (sections 101, 206, and 208), as well as modifications to the VA education loan default report (section 210), and reduction of the period for requesting waiver of recovery of VA overpayments (section 401).

Honorable Thomas P. O'Neill

It is estimated that enactment of this proposal would result in direct benefits savings in Fiscal Year 1983 of $25.3 million and $113 million over the first 5 fiscal years. Enactment would also result in estimated administrative savings of $223,000 in Fiscal Year 1983 and $1,135,000 over the first 5 fiscal years. These estimates are reflected in the President's Fiscal Year 1983 Budget transmitted to the Congress on February 8, 1982.

I have been advised by the Office of Management and Budget that enactment of this draft bill would be in accord with the program of the President.

Sincerely,

ROBERT P. NIMMO
Administrator

Enclosures

A BILL

To amend title 38, United States Code, to make adjustments and improvements in the vocational rehabilitation and education programs administered by the Veterans' Administration, and for other purposes.

Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled, That (a) this Act may be cited as the "Veterans' Rehabilitation and Education Adjustment Act of 1982".

(b) Except as otherwise expressly provided, whenever in this Act an amendment or repeal is expressed in terms of an amendment to, or repeal of, a section or other provision, the reference shall be considered to be made to a section or other provision of title 38, United States Code.

TITLE I -- REHABILITATION AMENDMENTS

SEC. 101. Section 1508 is amended by --

(1) amending subsection (b) to read as follows:

"(b) Except as otherwise provided in this section, the Administrator shall determine the subsistence allowance to be paid to a veteran under this chapter in accordance with the following table, which shall be the monthly amount shown in column II opposite the appropriate type of program being pursued as specified in column I:

"Column I Type of program	Column II Monthly amount
Institutional training:	
Full-time	$282
Three-quarter-time	$212
Half-time	$141
Farm cooperative, apprentice, or other on-job training:	
Full-time	$246
Extended evaluation:	
Full-time	$282
Independent living training:	
Full-time	$282
Three-quarter-time	$212
Half-time	$141";

and

(2) amending subsection (g) to read as follows:

"(g) No subsistence allowance may be paid under this section in the case of any veteran who is pursuing a rehabilitation program while incarcerated in a Federal, State, or local penal institution for conviction of a felony.".

TITLE II -- EDUCATIONAL ASSISTANCE PROGRAM ADJUSTMENTS

SEC. 201. Section 242 is amended by adding at the end thereof the following new subsection:

"(c) The Administrator may establish veterans benefits counselors at locations such as school campuses to provide assistance regarding benefits under this title to veterans and eligible persons and to conduct outreach as provided for under this subchapter.".

SEC. 202(a). Section 243 is repealed.

(b) The table of sections at the beginning of chapter 3 is amended by striking out

"243. Veterans' representatives.".

SEC. 203. Section 1652(b) is amended by striking out "402(a) of the Economic Opportunity Act of 1964 (42 U.S.C. 2902(a))" and inserting in lieu thereof "section 7(i) of the Small Business Act (15 U.S.C. 636(i))".

SEC. 204. Section 1673(a) is amended by --

(1) striking out "(1)" before "The";

(2) repealing paragraph (2) in its entirety;

(3) redesignating clauses (A), (B), (C), and (D) as clauses (1), (2), (3), and (4), respectively; and

(4) amending clause (2) (as redesignated by clause (3) of this section) to read as follows:

"(2) any sales or sales management course which does not provide specialized training within a specific vocational field;".

SEC. 205. Section 1673(d) is amended by inserting immediately after the first sentence the following:

"Notwithstanding the above, veterans described in section 1691(c) of this title pursuing secondary school courses will be subject to the 85 percent restriction.".

SEC. 206. Section 1682 is amended by --

(1) amending the second sentence of subsection (e) by striking out "at one-half of the full-time institutional

rate" and inserting in lieu thereof "in accordance with the rate of pursuit but in no event more than the less than half-time rate"; and

(2) amending subsection (g) to read as follows:

"(g) The amount of the educational assistance allowance paid to an eligible veteran who is pursuing a program of education under this chapter while incarcerated in a Federal, State, or local penal institution for conviction of a felony may not exceed such amount as the Administrator determines, in accordance with regulations which the Administrator shall prescribe, is necessary to cover the cost of established charges for tuition and fees required of similarly circumstanced nonveterans enrolled in the same program and to cover the cost of necessary supplies, books, and equipment, or the applicable monthly educational assistance allowance prescribed for a veteran with no dependents in subsection (a)(1) or (c)(2) of this section or section 1787(b)(1) of this title, whichever is the lesser. Except for payment for necessary books, supplies, and equipment required of similarly circumstanced nonveterans, no benefits shall be payable for any course for which there are no tuition or fees.".

SEC. 207. Section 1723(a) is amended by --

(1) striking out "(1)" before "The";

(2) repealing paragraph (2) in its entirety;

(3) redesignating clauses (A), (B), (C), and (D) as clauses (1), (2), (3), and (4), respectively; and

(4) amending clause (2) (as redesignated by clause (3) of this section) to read as follows:

"(2) any sales or sales management course which does not provide specialized training within a specific vocational field;".

SEC. 208. Section 1780(a) is amended by striking out clause (6).

SEC. 209. Section 1790(b)(2) of title 38, United States Code, is amended by adding at the end thereof a new paragraph (3) to read as follows:

"(3) Notwithstanding the evidence required to discontinue educational assistance to an individual eligible veteran or eligible person under paragraph (2) of this subsection, the Administrator may discontinue such assistance to eligible veterans and eligible persons already enrolled, and may disapprove the enrollment

of any eligible veteran or eligible person, in any course where the Administrator finds that (A) the course fails to meet any of the approval requirements of this chapter or (B) the educational institution offering the course has violated the recordkeeping or reporting requirements of this chapter or chapter 31, 32, 34, or 35 of this title and, having been advised of such violation(s), has failed to take reasonable corrective action. Whenever the Administrator so discontinues such assistance, the Administrator shall give notice as required under paragraph (2) of this subsection.".

SEC. 210. Section 1798(e)(3) is amended to read as follows:

"(3) The Administrator shall submit to the appropriate committees of the Congress not later than December 31 of each year a report on the current results of the continuing review required by subsection (g)(1) of this section to be made regarding the default experience with respect to loans made under this section and any steps being taken to reduce default rates on such loans. Such reports shall include --

"(A) data regarding the cumulative default experience, and the default experience during the preceding year, with respect to such loans; and

"(B) data regarding the default experience and default rate with respect to (i) loans made under this section in connection with accelerated payments under section 1682A of this title, and (ii) loans made under this section.".

TITLE III -- REPEAL OF AUTHORITY TO PURSUE CORRESPONDENCE TRAINING

SEC. 301. Section 1631(c) is repealed.

SEC. 302. Section 1652(c) is amended by striking out "correspondence school,".

SEC. 303. Section 1681(b) is amended by striking out ", a program exclusively by correspondence or".

SEC. 304. Section 1684 is amended to read as follows:

"1684. Apprenticeship or other on-job training

"Any eligible veteran may pursue a program of apprenticeship or other on-job training and be paid a training assistance allowance as provided in section 1787 of this title.".

SEC. 305. Section 1701(a)(6) is amended by striking out "correspondence school,".

SEC. 306. Section 1734 is amended by --

(1) striking out subsection (b) thereof;

(2) striking out "(a)"; and

(3) amending the catch line at the beginning thereof to read as follows:

"1734. Apprenticeship or other on-job training".

SEC. 307. Section 1780 is amended by --

(1) striking out in subsection (a) ", a program by correspondence or";

(2) striking out clause (5) of subsection (a);

(3) inserting "or" at the end of clause (3) of subsection (a);

(4) striking out the semicolon at the end of clause (4) and inserting in lieu thereof a period;

(5) repealing subsection (b) and the center heading which immediately precedes such subsection;

(6) redesignating subsections (c), (d), (e), (f), and (g) as subsections (b), (c), (d), (e), and (f), respectively;

(7) striking out in subsection (d) (as redesignated by clause (6) of this section) "(d)" and inserting in lieu thereof "(c)"; and

(8) striking out in subsection (e) (as redesignated by clause (6) of this section) "(d)" and inserting in lieu thereof "(c)".

SEC. 308. Section 1784 is amended by --

(1) striking out in subsection (a) ", or, in the case of correspondence training, the last date a lesson was serviced by the school"; and

(2) striking out in subsection (c) "(d)" and inserting in lieu thereof "(c)".

SEC. 309. Section 1786 is repealed.

SEC. 310. Section 1798(c) is amended by striking out "correspondence or".

SEC. 311. The table of sections at the beginning of chapter 34 is amended by --

(1) striking out

"1684. Apprenticeship or other on-job training, correspondence courses.";

and

(2) inserting in lieu thereof

"1684. Apprenticeship or other on-job training.".

SEC. 312. The table of sections at the beginning of chapter 35 is amended by --

(1) striking out

"1734. Apprenticeship or other on-job training, correspondence courses.";

and

(2) inserting in lieu thereof

"1734. Apprenticeship or other on-job training.".

SEC. 313. The table of sections at the beginning of chapter 36 is amended by striking out

"1786. Correspondence courses.".

SEC. 314. Section 604(a) of the Act of October 24, 1972, entitled the "Vietnam Era Veterans' Readjustment Assistance Act of 1972" (86 Stat. 1099) as amended by section 3 of the Act of July 10, 1974, entitled "An Act to amend title 38, United States Code, to provide a ten-year delimiting period for the pursuit of educational programs by veterans, wives, and widows" (88 Stat. 292), is amended by striking out the following: "(1) eligible to pursue a program of education exclusively by correspondence by virtue of the provisions of section 1786 of such title (as added by section 316 of this Act) or (2)".

TITLE IV -- MISCELLANEOUS PROVISIONS AND EFFECTIVE DATES

SEC. 401. Section 3102(a) is amended by striking out "two years" and inserting in lieu thereof "180 days".

SEC. 402. The amendments made by sections 101(1), 204 and 207, and Title III shall become effective on October 1, 1982.

SECTION-BY-SECTION ANALYSIS OF DRAFT PROPOSAL

Section 1

Subsection (a) provides that the draft proposal may be cited as the "Veterans' Rehabilitation and Education Adjustment Act of 1982."

Subsection (b) provides that whenever in the proposal an amendment or repeal is expressed in terms of an amendment to, or repeal of, a section or other provision, the reference shall be considered to be made to a section or other provision of title 38, United States Code, unless otherwise specified.

TITLE I -- REHABILITATION AMENDMENTS

Section 101

This section of the draft proposal has two basic purposes. The first purpose is to eliminate the authority for the Administrator to pay added subsistence allowance benefits on account of dependents to veterans pursuing vocational rehabilitation programs under chapter 31. Title 38, United States Code, now provides that service-connected disabled veterans whose disability ratings are 30 percent or more shall receive additional disability compensation for dependents. This same group of veterans also receives an added chapter 31 allowance for dependents. Until 1978, these dependents' allowances were paid only to those veterans with disability ratings of 50 percent or more. Veterans whose disabilities are rated at less than 50 percent are likely to be fully

employed and in a position to provide for their families without added Federal Government aid. Accordingly, the Veterans Administration is proposing in other legislation that additional disability compensation benefits for dependents be provided only to veterans with disability ratings of 50 percent or more. Moreover, the added chapter 31 allowance for dependents constitutes a duplication of assistance, since the same veterans are already receiving disability compensation dependents' allowances. This proposal would eliminate that duplication by discontinuing the chapter 31 allowances.

The second purpose of section 101 is to amend 38 U.S.C. § 1508(g) to eliminate the requirement that the Administrator verify the amount of an individual's living expenses where the individual is residing in a halfway house or participating in a work-release program in connection with the individual's conviction of a felony. Under current law, the Administrator may not pay subsistence allowance where all of the living expenses are being defrayed by a Federal, State, or local government. The VA's experience has been that verification of the amount of the defrayment of an individual's living expenses under such circumstances has been most difficult and time-consuming and therefore has not been cost effective. The change proposed to be made here would be to eliminate such a determination and permit payment of the allowance to such individuals as a part of their readjustment process.

TITLE II -- EDUCATIONAL ASSISTANCE PROGRAM ADJUSTMENTS

Section 201

This section of the draft proposal, along with the following section, would rescind the authority for the Veterans' Representatives (Vet Rep) program contained in section 243 of title 38, and would amend section 242 to specifically authorize the Administrator to station veterans benefits counselors at locations away from the VA regional office.

The original purpose of the Veterans' Representatives (Vet Rep) program was to alleviate problems in the educational assistance payment system which caused long delays in the receipt (or nonreceipt) of benefit checks for many veterans. The Vet Reps were to establish lines of communication in an effort to correct the problem. They were to be present full time on school campuses with large enrollments of veterans and eligible dependents. This, of course, was during a period when enrollments in the current veteran education program were at their peak.

With the passage of time and the change in the payment provisions, as well as the reduction in enrollments of veterans and dependents, the original need for the Vet Rep program has been fulfilled. Veterans Benefits Counselors currently perform the variety of duties which were previously accomplished by Vet Reps, and as a result the special authority is no longer required.

Section 202

This section would strike out 38 U.S.C. § 243, thereby terminating the authority for the Vet Rep program, and would also amend the table of sections at the beginning of chapter 3 to delete the reference to section 243.

Section 203

This section of the bill would amend section 1652(b) of title 38 to merely cite a new cross reference to the Small Business Act. The current provisions are outdated in that the statutory citation is now found in section 7(i) of the Small Business Act [15 U.S.C. § 636(i)] rather than section 402(a) of the Economic Opportunity Act of 1964. This change would update the Code.

Section 204

This section would amend section 1673(a)(2) of title 38 to repeal the requirement that vocational schools report on the numbers of graduates who, during the preceding 2-year period, have obtained employment in the field for which the school has provided training.

The current requirement was enacted in 1974 in conjunction with Public Law 93-508. The purpose of the amendment was to prevent and mitigate against abuses of the Veterans Administration's education programs by requiring schools to show that vocational objective courses they offered could demonstrate a 50 percent placement record over the preceding 2-year period.

At the time this provision was enacted, there were over 600,000 veterans enrolled in vocational training. This compares with approximately 65,000 veterans enrolled in such training at the present time. Enrollments of veterans in vocational training has and will continue to decrease substantially.

It should be pointed out that vocational schools have begun to exercise a greater role in employment planning for students taking these types of courses and in the utilization of the training to match employment needs. The latest statistics available to the Veterans Administration disclose that last Spring there were approximately 22,000 courses on which reports had to be filed. Of this total, only about 3 percent of these courses were being disapproved for failure to meet the 50 percent employment requirement. The preparation and filing of these reports are very costly, necessitating approximately 324 man-years of effort on the part of schools each year to meet these requirements.

Initially, this requirement was needed to prevent abuses which had become apparent to the Veterans Administration. At the time the requirement was first implemented, approximately 25 percent of the courses being reported on were disapproved for failure to meet the employment criteria, compared to the most recent rate of 3 percent. Thus, the

requirement has had the salutary effect of making schools aware of the need to provide requisite training to meet employment needs. The requirement, therefore, has served its basic purpose.

Section 205

This section would amend 38 U.S.C. § 1673(d) to clarify that educationally disadvantaged servicepersons pursuing high school completion or GED courses without charge to entitlement are subject to the 85-15 veteran-dependent enrollment requirement under which no more than 85 percent of the individuals enrolled in a course may be veterans and dependents receiving VA benefits. This would apply even where the courses are offered on or near a military base and are otherwise exempt from the 85-15 requirement.

Currently, 38 U.S.C. § 1673(d) does not provide that these servicepersons are to be included in the 85-15 requirement. Moreover, that section specifically exempts from this requirement those courses offered under Department of Defense contract and given on or adjacent to a military base.

In enacting Public Law 96-466, however, the Congress amended 38 U.S.C. § 1691 to provide that educationally disadvantaged servicepersons pursuing high school or GED courses without charge to entitlement are subject to the

85-15 requirement. However, a comparable provision was not included in section 1673(d). Therefore, this technical amendment to that section is proposed to have it conform with other provisions of title 38.

Section 206

This section would amend section 1682 of title 38 in two respects.

Clause (1) would amend subsection (e) to prescribe a more appropriate entitlement charge for the pursuit of independent study where the entire program is pursued in that mode. In the enactment of Public Law 96-466, the Congress provided that such pursuit would be charged at one-half the full-time rate. It is believed the appropriate entitlement charge should be at the rate of pursuit, but not more than the less than half-time rate. This would comport with the procedure being followed by the VA prior to the law change--a result we believe the Congress intended. Under the proposed change, the individual would be paid and charged entitlement based upon the rate of pursuit, limited to the less than half-time rate for this type of study.

Clause (2) would amend subsection (g) to reflect the same limitation on payment of educational assistance as is provided in the amendment to 38 U.S.C. § 1508(g). (See Section 101 above.) Additionally, clause (2) would clarify that, in cases where the incarcerated veteran is not charged tuition

or fees for his or her course, no chapter 34 benefits shall be payable, except for necessary books, supplies, and equipment required for the course.

Section 207

This section would amend section 1723(a)(2) of title 38 to repeal the requirement in chapter 35 that vocational schools report on the numbers of graduates who, during the preceding 2-year period, have obtained employment in the field for which the school provided training.

The basis for the change recommended here is the same as that set forth in section 204 of the draft bill.

Section 208

This section would amend section 1780(a) by deleting clause (6) thereof. This proposal would modify the present provisions of law which limit the payment of educational assistance allowances to individuals who are incarcerated in Federal, State, county, or local prisons or jails. It would provide that those individuals incarcerated as the result of a conviction would have their educational benefits limited to the cost of tuition, fees, books, supplies and necessary equipment charged similarly circumstanced nonveterans.

In the enactment of Public Law 96-466, the Congress imposed what amounted to two sets of rules to govern the payment of educational assistance benefits to incarcerated veterans and dependents. The first set applied to those individuals

convicted of a felony which resulted in their incarceration. Such individuals were limited to the cost of their tuition and fees charged other similarly circumstanced nonveterans, plus the cost of necessary supplies, books and equipment, or the full-time institutional single veteran rate, whichever is lesser. Where such an individual is placed in a work-release program or halfway house, the same rule would apply if all the veterans's or dependent's living expenses are defrayed by a Federal, State, or local government.

The second set of rules was made applicable to all incarcerated veterans and dependents, whether convicted of a felony or a misdemeanor. Under the second set, no educational assistance allowances are to be paid to any veteran incarcerated in a Federal, State, or local prison or jail to the extent that the tuition and fees of such an individual are paid under any Federal, State, or local program (other than the VA) or where there are no tuition and fees. Needless to say, this has created many administrative problems in making determinations concerning the type of conviction as well as making determinations as to the amount of any payments which may be made by some other governmental unit.

Section 209

This section would amend section 1790(b) of title 38 to add a new paragraph (3) authorizing the Administrator to discontinue all educational assistance for enrollments in a course or educational institution which the Administrator finds is

in serious violation of fundamental statutory approval, or record-keeping or reporting requirements. Currently, where a course fails to meet such requirements, payments to eligible veterans and persons continue until remedial action, such as withdrawal of approval, is effected or until evidence of non-entitlement is acquired in each individual case. Such payments may be unduly prolonged for various reasons outside the Administrator's control. This proposal would permit the Administrator to minimize or prevent overpayments by discontinuing educational assistance where the Administrator has evidence that a course fails to meet approval requirements or where the record-keeping or reporting practices of an educational institution cannot be relied upon as a basis for continued payment of educational allowances. The veteran or dependent would be afforded the same concurrent written notice of discontinuance as is now provided in paragraph (2).

Section 210

This section would amend section 1798(e)(3) to eliminate the requirement that the Administrator report to Congress on the education loan default rate on a school-by-school basis. Compiling these statistics in such detail has proved to be administratively costly and we are unaware of any inquiry being made concerning, or any other use being made of, these individual school statistics. In the

enactment of Public Law 97-35, the Omnibus Reconciliation Act of 1981, the number of education loans which may be made has been drastically reduced. Over a short period of time, even this small number of loans will be phased out.

This reduces the need for the report to be made in the detail now required.

TITLE III -- REPEAL OF AUTHORITY TO PURSUE CORRESPONDENCE TRAINING

Sections 301 through 314 would strike out all reference to correspondence training contained in chapters 32, 34, 35, and 36 of title 38. These deletions would have the effect of eliminating authority for the VA to provide educational assistance to eligible veterans and other eligible persons for the pursuit of correspondence training.

In enacting all three GI Bill programs--World War II, Korean conflict, and post-Korean conflict--the Congress intended that the educational assistance provided would be a readjustment benefit designed to (a) extend the benefits of a higher education to qualified and deserving persons who might otherwise be unable to afford such an education; (b) provide vocational readjustment and restore lost educational opportunities to those individuals whose careers had been interrupted by military service; and (c) aid such individuals to attain the educational and vocational status they would have

attained but for their service to their country. Benefits for pursuit of training programs, such as correspondence training, were designed to assist individuals to obtain necessary skills and enable them to find employment.

It is the position of the Veterans Administration that the correspondence training program has not met the objective of providing substantial employment for those trained, and that many individuals have used this program primarily for recreational or avocational purposes. This position is supported by three studies made in recent years concerning this program.

In March 1979 the General Accounting Office surveyed a representative sample of veterans who had completed correspondence courses to determine whether their full-time occupations were related to the training they had received under the GI Bill. The August 1979 GAO report showed that only about 34 percent of those who completed correspondence training had full-time jobs directly related to their training and that the overall completion rate for correspondence training courses was less than 50 percent.

A second audit of the utilization of educational assistance benefits for pursuit of correspondence courses was

conducted between November 1978 and March 1979 by the VA Inspector General. In his September 1979 report, the VA Inspector General stated that a survey of veterans who had completed correspondence courses disclosed that less than half were directly employed in the field for which they trained.

Thus, these two studies substantiated the findings of the July 11, 1978, report the Veterans Administration sent to the Congress entitled, "Study of Vocational Objective Programs Approved for Enrollment of Veterans." That report contained data which revealed that the correspondence training program was not achieving its intended purpose--to help provide a source of continuing substantial employment for veterans and dependents. The report noted that completion statistics for correspondence courses indicated an average completion rate for vocational courses offered by correspondence was only 41 percent.

In summary, our years of experience in administering education programs for veterans and other eligible persons convince us that correspondence courses have not fulfilled their intended purpose of aiding the beneficiary to adjust to his or her changed circumstances by providing the training required for employment. It is our conclusion that the

ineffectiveness of this program, along with the potential for continued misuse, warrants its termination.

TITLE IV -- MISCELLANEOUS PROVISIONS AND EFFECTIVE DATES

Section 401 would amend section 3102(a) to reduce the period for requesting waiver of recovery of a VA overpayment from 2 years to 180 days.

Current law allows an individual who has been notified of a VA overpayment to request waiver of recovery of such overpayment within 2 years of the notice. When this section was originally written, the attitude behind allowing 2 years was to give veterans at least as much time to request waiver as was given to Federal employees who have been overpaid. Since that time, the VA overpayment problem has become more critical, and numerous debt collection provisions have been enacted to ameliorate it.

If an individual believes the VA has incorrectly stated the amount of the overpayment or that recovery of the overpayment would be against equity and good conscience, it would seem the reasons for requesting a waiver would not take 2 years to appear. Rather, it would seem that the time for presenting a waiver request and the evidence to support it would be the period immediately following the VA notice of overpayment. This would be the period when events are fresh, memories are relatively unclouded, and witnesses are most available. The applicant for waiver would be given a speedier resolution of

the matter, and the VA would be able to provide the supporting documents, witnesses, and explanation while these are still close at hand.

Further, reducing the request period to 180 days would aid the VA collection effort (in which we are required to be aggressive) by lending greater finality to overpayment recovery procedures.

Section 402

This section would provide that the amendments relating to the vocational rehabilitation program dependency allowance (set forth in section 101(1)), repeal of the so-called 50 percent employment rule (set forth in sections 204 and 207), and correspondence training (set forth in Title III) shall be effective October 1, 1982.

[From: "Administration of Ronald Reagan," Nov. 3, 1981]

VETERANS' HEALTH CARE, TRAINING, AND SMALL BUSINESS LOAN ACT OF 1981

STATEMENT ON SIGNING H.R. 3499 INTO LAW, NOVEMBER 3, 1981

I am today signing H.R. 3499, the "Veterans' Health Care, Training, and Small Business Loan Act of 1981."

This bill extends a number of programs for Vietnam-era veterans, including eligibility of educationally disadvantaged veterans for special noncompetitive appointments to the Federal civil service and for vocational training and secondary school education. It also extends the Vietnam-era veterans readjustment counseling program, with provision for shifting this program into regular Veterans Administration medical facilities at the end of fiscal year 1984.

In addition, H.R. 3499 extends certain health care activities in Puerto Rico, the Virgin Islands, other U.S. territories, and the Republic of the Philippines, and permits the Veterans Administration to recover costs of providing certain non-service-connected health care.

The bill contains other major provisions on which I wish to comment.

The bill would grant eligibility for Veterans Administration medical care to veterans who may have been exposed to Agent Orange and certain other toxic substances in Vietnam and also to veterans exposed to ionizing radiation from nuclear weapons testing or the U.S. occupation of Nagasaki and Hiroshima following World War II. Eligibility would be provided without regard to financial need and on a priority basis.

Extension of medical services for exposure to Agent Orange and other substances in Vietnam must not prejudge the results of Federal studies we now have under way on this question.

I note, however, that the Congress has put a time limit of approximately 3 years on the new medical care eligibility, so that it can be reexamined after the initial results of the Agent Orange study are available. Moreover, I expect this provision to be implemented in a manner that will not add to budgetary costs of Veterans Administration medical care and treatment.

Another section of H.R. 3499 would establish the number of hospital and nursing home beds in Veterans Administration medical facilities at not more than 125,000 and not less than 100,000, and require the Veterans Administration to operate and maintain not less than 90,000 such beds. Such a limitation must not restrict the ability of the Veterans Administration to use an appropriate mix of health care services, including ambulatory care, to treat the maximum number of veterans.

This provision would also require that the President include in the budget transmitted to Congress for each fiscal year amounts for medical care and construction to enable the Veterans Administration to operate and maintain the required minimum number of hospital and nursing home beds. I interpret this language does not, and in my view could not, require the President to request of Congress any specific amounts, for it is the President's constitutional duty to make recommendations to Congress of such measures as he judges necessary and expedient.

Finally, H.R. 3499 authorizes a new small business loan program in the Veterans Administration for disabled and Vietnam-era veterans. Because this program might duplicate a similar program in the Small Business Administration and would involve the Veterans Administration in an area in which it has no expertise, I intend to weigh carefully any efforts to fund this program.

Many of the provisions of H.R. 3499 are desirable and have been supported by the administration. A number of them will be particularly helpful to Vietnam-era veterans. In view of my strong commitment to the welfare of America's veterans, particularly Vietnam-era veterans, I am approving this measure despite some of the concerns I have noted.

NOTE: As enacted, H.R. 3499 is Public Law 97-72, approved November 3.

VETERANS' ADMINISTRATION,
Washington, D.C., May 3, 1982.

Hon. JAMES C. SANDERS,
Administrator, Small Business Administration, Washington, D.C.

DEAR MR. SANDERS: The final report developed by your Task Force on Special Consideration for Veterans, under the direction of Frank Swain, contains 29 excellent recommendations that will greatly benefit our Nation's veterans.

The recommendations give "special consideration" for veterans, as mandated by Public Law 98-237, a practical application to your SBA programs. The recommendations to establish an Office of Veterans Enterprise, special business training, emphasizing Vietnam era and handicapped veterans and establishing field office awareness of "special consideration" for veterans should offer immediate help to veterans who own, or want to own, a small business.

I am very much in favor of recommendation 13(a) which would have you declare disabled veterans a socially disadvantaged group for purposes of participation in the SBA 8(a) program. I also strongly favor recommendation 13(b) which proposes to continue the Task Force in order to study ways to provide procurement set-asides and 8(a) type programs for larger groups of veterans.

I agree that a considerable amount of cooperation and coordination is required by our field offices. If you adopt recommendation 26, I will appoint a Veterans-in-Business coordinator in each regional city to work with the SBA advocate.

I will have my staff work closely with your staff and the service organizations to enhance the image of veterans and promote them to the public as "business partners."

I appreciate the SBA's commitment to the business needs of veterans.

Sincerely,

ROBERT P. NIMMO,
Administrator.

SMALL BUSINESS ADMINISTRATION, WASHINGTON, D.C.

POLICY STATEMENT

(By James C. Sanders, Administrator)

Subject: Special Consideration for Veterans of the Armed Forces.

Public Law 93-237, which amended the Small Business Act, directed that the Small Business Administration give "special consideration" to veterens of the Armed Forces in all Agency programs. Since this law was first implemented by regulation in 1974, the SBA has provided thousands of hours of business counseling and training to veterans and in FY 1981 alone made $546.3 million in loans to this group. This represented more than 15% of the total SBA loan dollars for that year. While this record demonstrates a sincere effort to provide assistance to veterans, there has been a steady increase of concern from the national veterans services organizations and committees of Congress that, in reality, veterans do not receive any "special consideration" as the law requires when seeking SBA assistance.

While SBA programs are not entitlements or benefits in the traditional sense of other veteran programs of the Government, it seems clear from Congressional Hearings, SBA studies, and reports of veteran services groups that this Agency must do more to assure that the men and women who served their country in the Armed Forces are provided every opportunity to utilize the services of SBA. Also, this is especially important for the Vietnam-era veteran who is just beginning to enter the economic mainstream in larger numbers, and the handicapped veteran whose circumstances are of special concern to this Agency and Administration. *Therefore, I am directing that the following actions and policies be implemented:*

1. There shall be established a permanent Office of Veterans Business Enterprise, within the Office of the Chief Counsel for Advocacy. This office shall be responsible for providing advice and counsel to SBA management on all legislative, regulatory, economic, and management policies affecting the interests of veteran entrepreneurs. Also, this office shall perform advocacy duties as defined in Public Law 94-305 on behalf of veterans, including the review of SBA programs and the activities of other government departments and agencies whose policies and regulations affect the interests of veterans in business.

2. New regulations as necessary shall be issued to clarify and assure the veterans are, in fact, provided "special consideration" within each assistance program of

SBA. Associate and Assistant Administrators shall review their programs and activities and issue any required regulations or SOPs within 60 days from this date. Specifically, financial assistance regulations shall provide that qualified veterans receive higher priority in the processing and funding of loan applications, with particular attention to be given to the handicapped and Vietnam-era veteran. The "Pechin Study" commissioned by SBA-in 1980, and the Report of the SBA. Veterans Task Force on Special Consideration for Veterans shall be used to guide the deveiopment of all these regulations.

3. Management assistance and business training for veterans shall be intensified over the next twelve months. In addition, special business training projects shall be initiated in at least five geographic locations convenient to reaching the maximum number of veterans. The skill and resources of the Small Business Development Centers, the Office of Public Information, and Agency procurement and technical assistance activities shall be employed in these projects. All other departments and activities of the Agency shall cooperate and lend support to this program as called upon.

4. Regional administrators and district directors ae responsible for assuring the effective delivery of "special consideration" for vetereans in all their operations and programs. Veterans Affairs Officers (VAOs) shall be appointed in each regional and district office, if not already designated. VAOs shall be highly qualified, trained, and experienced in SBA programs and procedures. These officers shall be readily accessible to veterans seeking agency assistance. Each program office shall monitor the performance of field offices in the effective delivery of services to veterans.

5. The Office of Administration, in cooperation with the Office of Veterans Business Enterprise and each program office, shall assure that information and data concerning the participation of veterans in all SBA programs are collected, measured, and analyzed in a manner which serves the policy making needs of the Congress and Agency management. The Chief Counsel for Advocacy shall periodically report to the SBA Management Board his findings and recommendations regarding veterans participation in SBA programs and the small business economic sector.

The policies and actions set forth in this Statement are to be implemented immediately and shall be incorporated into the regulations and other operating procedures of SBA at the earliest possible date.

May 14, 1982

JAMES C. SANDERS,
Administrator.

CONGRESS OF THE UNITED STATES,
HOUSE OF REPRESENTATIVES,
Washington, D.C., May 28, 1982.

Hon. EDWARD P. BOLAND,
Chairman, Subcommittee on HUD-Independent Agencies,
H-143 Capitol, Washington, D.C.

DEAR MR. CHAIRMAN: We are writing to urge you to fund, in the FY '82 Supplemental, the Vietnam and disabled veterans Small Business Loan Program created in Title III of The Veterans' Health Care, Training, and Small Business Loan Act of 1981, P.L. 97-72.

The 1981 Act was the culmination of years of effort. For Vietnam veterans, it was the long overdue sign that their government cares and is prepared to meet its continuing obligations. The Veterans' Administration's (VA) failure to fully implement the Act has turned this sign of hope into the latest sign of continuing neglect. For Vietnam veterans, the VA's failure repeats the old pattern of great promises quickly broken.

The VA argues that the program duplicates efforts of the Small Business Administration (SBA) or, in the alternative, that the VA does not have adequate expertise to conduct a small business initiative. The argument overlooks the volumes of hearings demonstrating SBA's failure to adequately serve Vietnam veterans and presumes to unilaterally overturn the Congressional determination that a special program is required. While the legislative history reflected the fact that the VA had run small business loan programs after world War II and the Korean War, the decision to create a new program, of course, carried the implication that the agency would have to make special efforts and seek new skills.

Pressed further, the VA suggests it may be in appropriate for the VA to tempt Vietnam veterans into small business ventures during the present recession. The

Act itself already requires the VA to review the "credit-worthiness" of the small business concern itself and its owners. (Section 1842(c) of P.L. 97-72, 38 U.S.C. 1842.)

It may be appropriate for the VA to advise individual veterans about the likelihood of success of specific projects given immediate market conditions. It does not seem appropriate for the VA, after claiming lack of expertise, to make a macroeconomic determination that the present recession is so deep and so broad that any *effort to begin* any *small* business is unwise, a determination that seems to argue against the prospects of any economic recovery.

Mr. Chairman, perhaps this is one of those few situations where it is important to look past the details of argument. Having opposed enactment of the program, having refused to request funding for the program, the VA now publicly claims that its failure to address the program is really the fault of Congress because Congress has failed to appropriate funds for it.

We recognize that the Administration's failure to request funding for the program and the present budget uncertainties create problems. Yet we hope that there will be room for this small program requiring just over $25 million for five (5) years. With that sum, the House demonstrates its commitment to Vietnam veterans and its willingness to back the promises made in the 1981 Act.

Several of us have written the President requesting that he instruct the VA to implement the legislation. A copy of that letter is attached.

Sincerely,

DAVID E, BONIOR, BOB EDGAR, LES ASPIN, DON BAILEY, PAT WILLIAMS, THOMAS A, DASCHLE, DON EDWARDS, WILLIAM R, RATCHFORD, TOM HARKIN, MARTIN FROST, MICHAEL BARNES.

CONGRESS OF THE UNITED STATES,
HOUSE OF REPRESENTATIVES,
Washington, D.C., May 20, 1982.

Hon. RONALD REAGAN,
The White House, Washington, D.C.

DEAR MR. PRESIDENT: Last Saturday, in your weekly radio broadcast, you reminded the nation of its deep obligation to those who serve in the armed forces. Today, we urge you to honor that obligation by fully implementing two vital Vietnam veteran programs.

In March of this year, 747,000 Vietnam veterans were unemployed, a 47% jump from a year ago. Their unemployment rate of 9.9% was significantly higher than that of their non-veteran peers. Tragically, these figures are just the latest sign of the continuing employment problens facing many Vietnam veterans.

To meet these problens, last year Congress extended eligibility for the training programs under the GI Bill as part of The Veterans' Health Care, Training, and Small Business Loan Act of 1981, P.L. 97-72. As the legislative history made clear, Congress sought to extend hope to a broad group of underemployed and unemployed Vietnam veterans.

That great hope has been dashed. The Veterans' administration (VA) regulations implementing the legislation have barred from the program many of the veterans we sought to help. Without regard to a veteran's employment history or present employment problems, the VA has made ineligible *any* veteran with sixty (60) hours of post-secondary education and *any* veteran who has never had just three months of vocational "preparation".

Unfortunately, the VA's failure to implement P.L. 97-72 did not stop there. Several years of hearings have clearly demonstrated that Vietnam veterans were not benefiting from the government's small business loan programs. To correct the problem Congress created a special Small Business Loan Program for Vietnam veterans. In drafting the program, Congress merely extended, belatedly, to Vietnam veterans the consideration it had offered World War II veterans.

The Small Business Loan Program was to begin earlier this month. Yet the VA has not even proposed regulations to implement the program. Nor do they have plans to issue regulations by any specific date. The Office of Management and Budget (OMB) has not submitted to Congress a funding request for the program.

Mr. President, this is not a budgetary problem. It is a question of national fidelity. The combined cost of both programs over their entire lifetime is $167 million.

Vietnam veterans have waited too long for basic benefits. The important Readjustment Counseling Program was only enacted in 1979. The training and business programs enacted last year followed the beginning of American involvement in Vietnam by nearly two decades. They followed the offical end of the Vietnam era by more than a half a decade.

By failing to aggressively implement these measures, we compound long delay with present neglect. We urge you to take the necessary action to force prompt and full implementation of these important Vietnam veteran initiatives.

Sincerely,

DAVID E. BONIOR.
BOB EDGAR.
THOMAS A. DASCHLE.
DON EDWARDS.
LEON E. PANETTA.

HOUSE OF REPRESENTATIVES, WASHINGTON, D.C.

FACT SHEET

Background: Employment and business assistance for Vietnam veterans

Last year, the Congress enacted landmark legislation for Vietnam veterans. The Veterans' Health Care, Training, and Small Business Loan Act of 1981, Public Law 97-72. Among the Act's provisions were two (2) important employment and business initiatives:

A Small Business Loan Program for Vietnam and disabled veterans providing loans and loan guarantees of up to $200,000. (Title III of Public Law 97-72, 38 USC 1841-1851.)

Eligibility for employment assistance under the GI Bill through On-the-Job Training, Vocational or Secondary Education was extended. (Section 201 of Public Law 97-72, 38 USC 1662)

Both programs were carefully focused and budgeted:

The Small Business Loan Program was sunsetted. New commitments could not be made after September 30, 1968. The program's five year cost is $25 million.

Eligibility for employment assistance under the GI Bill was extended for only a two year period, from January 1, 1982 to January 1, 1984. Its total cost is $142 million over two (2) years.

The two programs were the long overdue response to the continuing needs of Vietnam veterans: In March, 747,000 Vietnam veterans were unemployed, up 47% from a year ago. The Vietnam veteran unemployment rate of 9.9% was 14% higher than the unemployment rate of their non-veteran peer.

Vietnam veterans by the tens of thousands were coming to the Readjustment Counseling Centers opened during 1980 and their greatest concern was employment problems, yet all but a few were no longer eligible for the VA's employment programs. To correct the problem, Congress created the limited eligibility extension. Hearings demonstrated that the Small Business Administration (SBA) was not serving Vietnam veterans. Congress responded by creating a limited program focused specifically on Vietnam veterans.

Implementation

Enacted nearly two decades after the beginning of the American involvement in Vietnam, more than a half decade after the end of the Vietnam era, the employment and business programs created in The Veterans' Health Care, Training, and Small Business Loan Act of 1981 offered long overdue hope to Vietnam veterans. In addition to providing immediate help, the Act was a sign to all Vietnam veterans that, however long it has taken, their government was prepared to recognize their service and its own obligations. Despite the importance of the two programs, the Administration has blocked their implementation.

1. The Small Business loan program has not been implemented at all

Signed by the President on November 3rd, 1981, the Small Business Loan Program was to begin 180 days after enactment, by may 3rd, 1982. The Veterans' Administration (VA) was given immediate authority to promulgate regulations implementing the program. Public Law 97-72, Section 305, 38 USC 1841.)

To date, the Administration has failed to promulgate regulations and has no specific plans to propose the regulations by any definite date. The failure to promulgate regulations is part of an explicit decision not to implement the program. The Administration did not request funding for the program as part of their request for fiscal year 1983 or for the fiscal year 1982 Supplemental.

The Administration has opposed The Small Business Loan Program from its inception. Opposing enacting of the program, the President specifically announced his opposition to funding the program when he signed the bill, noting that he would

"weigh carefully any effort to fund this program." (Weekly Compilation of Presidential Documents, Vol. 17, No. 45 (1981), Nov. 3.)

2. Eligibility for the extended employment assistance has been conscribed through regulations that frustrate congressional intent

Eligibility was extended to the GI Bill On-the-Job Training Program, Vocational Education and Secondary Education in order to serve Vietnam veterans who were facing continuing employment problems. While including unemployed veterans, Congress also sought to help underemployed veterans and veterans who had interrupted employment histories.

This broad purpose was reflected in the statute which made all Vietnam veterans eligible who needed the program "in order to achieve a *suitable* occupational or vocational objective." (P.L. 97-72, Section 101; 38 U.S.C. 1662, emphasis added.) Both the House and Senate managers of the bill repeatedly emphasized the program's broad purposes. (See especially, statements of Congressmen David E. Bonior (D-Michigan), Bob Edgar (D-Pennsylvania), and Tom Daschle (D-South Dakota), June 1st & 2nd, 1981.)

By DVB Circular 22-81-15, December 22, 1981, the VA implemented the extended eligibility to Vocational Education and On-the-Job Training in a way that precludes significant impact:

Without regard to his actual employment history and present employment needs, any Vietnam veteran with a college diploma is barred, as is any Vietnam veteran with either a two year degree or a mere 60 semester hours of college courses. (Section 6(b)(1)(b))

Without regard to his actual employment history and present employment needs, only a Vietnam veteran who has never held a job beyond an entry level is clearly eligible. Any veteran who has ever received even minimal vocational "preparation" of three months or more is barred. (Section 6(b)(1)) are likely

In essence, the end product is that only presently unemployed veterans are likely to be eligible and even presently unemployed veterans will probably be barred if they have any post-secondary education or have ever held a regular job requiring any skills. Of the Act's bold effort to help Vietnam veterans, only the eligibility for high school training survives intact.

3. Because both programs are sunsetted, delay may eliminate entirely the hope Congress sought to extend

No benefits may be awarded to veterans seeking employment assistance under the Act's extended eligibility after December 31, 1983, only a year and a half from now. The first quarter (25%) of the eligibility period has already expired. Similarly, no loan or loan guarantees can be made under the Small Business Loan Program after September 30, 1986. One-tenth of the program's five year eligibility period has expired.

Even strong Congressional action cannot change the Administration's actions without some further delay. For Vietnam veterns, new policies promulgated in December, 1982 or January, 1983 may prove a hollow victory. Even when it loses the final battle over policy, the Administration may have won a substantial victory in implementation.

HOUSE OF REPRESENTATIVES,
COMMITTEE ON VETERANS' AFFAIRS,
Washington, D.C., June 3, 1982.

Hon. EDWARD P. BOLAND,
Chairman, Subcommittee on HUD-Independent Agencies, Committee on Appropriations, U.S. House of Representatives, Washington, D.C.

DEAR MR. CHAIRMAN: Several Members of the House have sent a letter to you asking that funds be appropriated in the FY-82 Supplemental for the Vietnam and Disabled Veterans Small Business Loan Program established as a part of Public Law 97-72. That law authorized appropriations not to exceed $25 million to be used to fund small business loans to Vietnam and disabled veterans who meet certain criteria.

Mr. Chairman, in hearings before our Committee during the last two years, it became clear that very little is being done by the Small Business Administration to provide assistance to veterans and we felt in view of the high unemployment rate among Vietnam veterans, it was time to do something about it. The situation is no better today. In fact, the unemployment rate among Vietnam veterans is even higher than it was when we established the program last year.

The Administration apparently feels the program should not be implemented. It has been slow to draft regulations to implement the program and no money has been requested in the Supplemental Appropriation nor were funds requested in the FY-83 budget. When asked why no funds had been requested to implement the program, a VA official has been quoted as having said, "this is not the time to entice veterans into the small business world. With the economy the way it is and with businesses already in existence having problems, it is not the best of times to set up another program to go into small business." Obviously, that is not the view of the Congress.

Mr. Chairman, it seems to me we have established proper justification for the program, and I would hope that you and your Subcommittee will give serious consideration to appropriating some funds so that we can begin to implement this important program for at least a few Vietnam veterans. Vietnam veterans, as well as other veterans with service-connected disabilities, would be most grateful for your help in this regard.

Certainly you and the Subcommittee have been most fair to this special group of veterans in the past, and I know you will do what you can in their behalf for this program as well.

Sincerely,

G. V. (SONNY) MONTGOMERY,
Chairman.

TESTIMONY BY THE HONORABLE JAMES J. FLORIO

Mr. Chairman, I appreciate this opportunity to speak on the issue of providing employment opportunities for our Nation's veterans.

I commend the leadership the committee provided last year in rejecting the administration's proposal to eliminate every Federal program designed to aid Vietnam veterans. While most of these programs are not large or expensive, they have been successful in addressing some of the immediate problems affecting Vietnam veterans, including severe unemployment and underemployment levels and less education that their non-veteran peers.

Last year I was pleased to join the committee in enacting legislation, over the administration's objections, to continue the Vietnam veterans readjustment counseling program. While many of the "vet centers" supported by the program have only been fully operational less than two years, they have performed a critical job in helping thousands of Vietnam veterans with employment counseling and other adjustment problems.

Investigations by the committee show that more than sixty percent of those Vietnam veterans seeking assistance at vet centers describe difficulties with employment among the various concerns that brought then to the center.

U.S. Department of Labor reports that unemployment among Vietnam veterans is the highest since the war; 750,000 or 17 percent of Vietnam-era veterans are currently out of work. This is a 47 percent increase in Vietnam veteran unemployment from last year. National statistics further show that in every age category, the rate of unemployment among Vietnam veterans is higher than their non-veteran peers. These figures clearly demonstrate the economic vulnerability of Vietnam veterans. As our national recession continues, the Vietnam veteran is being asked to bear the heaviest burden under the guise of "last hired", "first fired".

The Congress addressed this national problem last year by mandating a two-year extension of the normal 10-year delimiting date for Vietnam-era veterans to use their G.I. bill benefits. Implicit in the history of the 1981 act is the commitment of the Congress to target the benefit extension to those veterans most in need of employment assistance. The assistance provided in the act is targeted to Vietnam-era veterans in need of on-the-job training, a vocational education program, or other job training programs likely to lead to full-time employment. Only those veterans certified to be in need by a V.A. vet center, V.A. medical facility, or state employment office will qualify for the benefit extension. In addition, the 1981 act limited the G.I. bill extension to a one-time, two-year program.

The Congressional Budget Office estimated last year that, even with the statute's limitations, 40,000 Vietnam veterans nationwide should meet the eligibility guidelines for assistance.

The performance of the Veterans Administration in implementing the legislation has fallen far short of this goal.

According to information I have received from the Newark, N.J. Regional V.A. Office, not one New Jersey Vietnam-era veteran has been approved for the G.I. bill

extension. Newark's latest statistics, ending on March 31, 1982, report that only 15 N.J. veterans were sufficiently encouraged by the V.A. to apply for the benefit extension since the start of the program in January. Of these 15 applications, four were denied and the others are pending further review.

I have received a similar report from officials at the Vietnam vets multi-purpose center, located at 1211 Arch Street, Philadelphia, Pennsylvania. This center assists many Vietnam veterans from my South Jersey Congressional District in processing VA claims. Center officials report that they have received approximately 60 applications since the announcement of the program by the VA in December. I am informed that the center felt a responsibility to advise approximately 50 of the applicants that they failed to meet the rigid VA eligibility guidelines for the program.

I am sure that Chairman Edgar can comment further on the fact that in the first quarter of this year, only two veterans in the entire Philadelphia area had their claims accepted for the G.I. bill extended benefits.

The experience we have had in New Jersey and the Philadelphia region is mirrored across the Nation. Administrator Robert Nimmo reports that in the first quarter of this year, the first three months of the program, the VA was only able to process half of the 2600 claims filed. Only 13 percent of the claims processed have been approved.

In these figures I see a number of concerns with VA implementation of this program. First, the VA has clearly misinterpreted congressional intent when writing implementing regulations. VA testimony to be offered to the committee today suggests that its intention in writing implementing regulations is to assist only those veterans it defines as "unskilled". In essence, the VA regulations limit program eligibility to Vietnam veterans who have never held a job beyond an entry level, regardless of the veterans employment history and present employment needs. Under the VA regulations, even an unemployed Vietnam veteran will be disqualified from the program if he has any post-secondary schooling or if he has ever held a job requiring any skill. The only Vietnam veteran who has a chance in qualifying for the program under the VA rules are those lacking a high school diploma. The VA enforces these regulations with an incredible amount of paperwork. The VA drew up an 11-page circular of regulations citing how it would determine who is "skilled" and "unskilled" for program eligibility. Those determinations in turn, are based on a Department of Labor publication, 2,656 pages long. Mr. Chairman, regardless of the administration's commitment to reduce Government regulations, the VA is successfully over-regulating the G.I. bill extension out of existence.

When the Congress passed the 1981 legislation, Congressional Budget Office estimated that it would assist 40,000 Vietnam veterans with employment difficulties. At VA current application approval rate, only 1352 veterans will be assisted before the act expires 18 months from now.

Mr. Chairman, my other principal concern deals with impressions. I believe that the impression the administration is providing to unemployed Vietnam veterans is that it does not care about their problems. The "word is out" among the Vietnam veteran community that despite VA statements of its good intentions, the program is of little or no benefit to the vast majority of unemployed or underemployed Vietnam veterans. "Vet center" counselors, Vietnam veteran organizations, and others who work closely with Vietnam veterans have informed their peers of the worthlessness of the program under the VA rules. Only 15 N.J. veterans and 2,600 nationwide applied for the program during the first three months of this year. Regrettably, we do not have statistics to show the interest of Vietnam veterans in the program prior to their learning of the obstacles the VA has constructed.

I have concurrent concern that the VA, in the future, may cite the low number of applications as justification for opposing the enactment of the program in the first place, and may cite the small number of applications as an argument against further education and job training programs for veterans. I urge the committee to strongly counter any such proposals. The Federal Government counts 750,000 Vietnam veterans out of work. Many more may have given up looking for work. Full implementation of the G.I. Extension Act would help 40,000 veterans to gain needed job training. The VA estimates that full implementation of the program would cost $35 million. Since post-world war II the G.I. bill has repaid its costs many times over in taxes and productivity returned to the national economy. Full implementation of the 1981 targeted delimiting date extension is a very small and inexpensive step we can take to provide needed job skills and unemployment retraining to many deserving veterans. Thank you.

TESTIMONY OF CONGRESSMAN HOWARD E. WOLPE

Mr. Chairman: I would like to express my sincere gratitude to you and to the members of this Subcommittee for your very active role in calling public attention to the failure of the Veterans' Administration to implement key provisions of the Veterans' Health Care, Training and Small Business Loan Act of 1981, P.L. 97-72.

It was this legislation—overwhelmingly passed by the Congress last year—that finally recognized the unique problems of our nation's Vietnam veterans and promised long-overdue readjustment services to those deserving men and women who served our country in its most unpopular war. Tragically, however, the failure of the Veterans' Administration to implement that law in the way in which Congress had intended has obscured that promise, and has renewed the sad legacy which our government has willed its Vietnam veterans—a legacy of wounds untended, heroism unnoticed, and promises unkept.

An incredible volume of evidence has been collected demonstrating that Vietnam era veterans as a group have suffered tremendous difficulties in readjusting to American society and civilian life. One of the most striking indicators of their alienation is the outrageously high rate of unemployment which has visited their ranks.

Today, nearly 750,000 Vietnam veterans are unemployed; indeed, the rate of unemployment among Vietnam era veterans is 14 percent higher than the unemployment rate among their non-veteran peers. And in my own state of Michigan where unemployment has surged to depression levels that now exceed 14 percent, Vietnam veterans are one of the groups hardest hit by joblessness.

Because unemployment among Vietnam veterans is such a pressing problem in Michigan's Third District, and because our time today is limited, I will restrict my comments to the Job Training component of the 1981 act.

On a daily basis, caseworkers in my district office are struggling to win for my constituent Vietnam veterans the vocational education opportunities promised them under the provisions of PL 97-72. And on a daily basis, they are being frustrated in their efforts—frustrated because the eligibility requirements drafted by the VA have made it virtually impossible for any Vietnam veteran to be determined eligible for the benefit—regardless of the extent of their need or the merits of their claim. In the entire state of Michigan, only 16 applications for an extension of the delimiting date on vocational ed benefits have been approved, despite the receipt of 238 applications in the Detroit office.

This is chiefly because the Veterans' Administration drafted its regulations with the express purpose of disentitling the majority of veterans the training component of the act sought to assist. And frankly, this should come as no surprize. We should remember that President Reagan signed the act into law only after voicing his reservations about the propriety and purpose of the legislation.

There are basically three problems with current VA regulations governing eligibility for extended vocational education—problems which alone and in concert with one another are gutting the training program authorized in the 1981 act.

First, current regulations are written in the alien tongue of advanced legalese, a language which a reader—without the benefit of a degree in law—would find unintelligible. We should keep in mind that unskilled and educational disadvantaged veterans are not likely to be able to find their way through 2,500 pages of regulations, requirements and caveats in order to determine whether or not they might be eligible for assistance under this act.

Second, current regulations restrict extended vocational ed benefits to unskilled and educationally disadvantaged Vietnam veterans—and then proceed to disqualify almost every applicant who has worked at any job for three months. For example, current VA regulations would classify a veteran who has worked as a button-pusher in a factory, a dishwasher in a restaurant, as a street juggler on a corner, or as a salesman at your doorstep as a skilled worker and ineligible for assistance—even if that applicant was unable to hold onto that job for no longer than three months.

Finally, if a Vietnam veteran can overcome the hurdles of understanding the incredibly complex language in which the VA regulations are written, and has somehow—since leaving the service—been able to avoid becoming what the VA would erroneously label a "skilled" worker, he must then be very careful to make certain that the education he seeks qualifies as vocational education as defined by the Veterans' Administration.

Current VA regulations require that such education occur in the form of a non-degreed program of study. But most colleges have transferred their non-degreed vocational ed programs to degree-bearing academic departments—and ironically, they have done so to comply with VA regulations requiring that veterans receiving benefits under the GI Bill be registered in certified programs of study.

Very simply, the definition of a vocational program of study as one that does not result in a degree is inaccurate—and it is a definition which unfairly limits the training choices and vocational opportunities of the Vietnam veterans the training act seeks to assist.

Mr. Chairman, the legislation passed by the Congress extended the vocational ed benefit for two years and the clock has been running ever since the VA published its regulations. Unless we act quickly to ensure that the legislation is administered in the way in which this Congress intended, the provisions of the bill will have expired and very few veterans will have benefitted from our efforts.

Robert Service once remarked, "a promise made is a debt unpaid." His words serve as a biting indictment of the situation we are now discussing. It is indeed time that we stop making more promises to our Vietnam veterans, and get down to the business of honoring those promises we have already made.

Seven years ago, the United States removed its last land-based forces from Indochina, and Americans everywhere drew a sigh of relief at knowing that our ill-fated involvement in Vietnam had come to an end. But for those veterans whose lives were unalterably changed by the experience of that war and the heartless neglect of a guilt-ridden and forgetful nation, the sacrifices of that war continue. Only if we can get down to the business of providing some meaningful assistance to those veterans—and in this connection, making certain that appropriate revisions are made in the administration of the Veterans' Health Care, Training and Small Business Loan Act of 1981—can we truly bring an end to that tiring and tragic episode in our military history.

STATEMENT OF CONGRESSMAN BARNEY FRANK

Thank you, Mr. Chairman, for giving me the opportunity to present my views on the Reagan Administration's handling of Public Law 97-72 passed by Congress last year. Clearly, Vietnam veterans across the country have a very large stake in seeing this law implemented promptly and fairly. I commend you for investigating this matter.

The issue involved is very clear and very simple. Does the Administration plan to use the authority given by Congress to come to the aid of Vietnam veterans or is it effectively thwarting the will of Congress? Unfortunately, I believe the latter is the case.

The provision extending eligibility for employment training programs is particularly critical. As indicated in the letter from my colleagues, Rep. Bonior et al., to the President, Vietnam veterans' unemployment has leaped by 47 percent from a year ago. Clearly, the recession is hurting Vietnam veterans to a disproportionate degree as a direct result of their service. Having entered the workforce later than their contemporaries because of their time in the armed forces, they lack seniority and are among the first to go when the layoffs begin. Public Law 97-72 was the effort by Congress to help Vietnam veterans deal with this increase in job displacement. However, the Administration has so restricted eligibility under the law that, by the VA's own admission, a paltry 13 percent of claimants have been granted assistance. I do not believe that this level of help is what Congress had in mind for this law.

The small business loan program illustrates an even more blatant attempt by the Administration to block the will of Congress. this program, which has been offered to veterans in the past, was specifically placed under the auspices of the Veterans Administration because the Small Business Administration had not been responsive to the particular needs of veterans. Vietnam veterans were not receiving the level of assistance that previous war veterans had received. Amazingly, in its testimony submitted to this committee, the Veterans Administration is content to make recommendations to the SBA on the matter of small business loans to veterans. This, in the face of legislation, signed by the President, whose precise purpose was to allow veterans to go to the VA for loans because the SBA was not doing the job. Again, I feel that the VA proposal is not what Congress had in mind.

The employment and small business assistance contained in Public Law 97-72 is critical to Vietnam veterans. And the time limits in both cases make the issue even more urgent. By regulating the employment assistance into oblivion and by flatly refusing to implement the small business loan program, the Administration shows a callous disregard for the men and women who answered the call during the Vietnam conflict. No group of veterans in our history have faced more difficulties in civilian life. They have encountered serious re-adjustment problems, scapegoating due to the unpopularity of the war, lingering effects of Agent Orange and more.

Public Law 97-72 was Congress' attempt to assume, however belatedly, some responsibility for these problems. The Reagan Administration is shirking that responsibility. I find their obstruction of proper implementation of these relatively modest programs petty and ungrateful.

STATEMENT BY U.S. REPRESENTATIVE TOM HARKIN

Mr. Chairman, last year the Congress enacted a piece of legislation which provided benefits and opportunities to an important group of Americans—Vietnam era and disabled veterans. Public Law 97-72, the Veterans' Health Care, Training, and Small Business Loan Act of 1981, contained two especially important provisions: (1) establishing the Small Business Loan program, providing up to $200,000 in loans to Vietnam and disabled veterans, totalling $25 million over 5 years; and (2) extending the delimitation period 2 years for employment assistance under the G.I. Bill, totalling $142 million.

these two programs provide excellent and much-needed opportunities for veterans. Yet the Administration refused to request funding for Public Law 97-72, the Veterans' Administration has yet to issue regulations for the Small Business Loan program, and the restrictions the V.A. has placed on employment assistance are so tight that very few veterans are actually eligible.

Indeed, since both of the programs are "sunsetted," the continued procrastination of the Administration and the V.A. may only serve to wipe out any assistance that could have been given. The course the Administration has taken on this issue is a clear sign of its intention to ignore veterans.

And many veterans are feeling ignored. In March of this year 750,000 Vietnam veterans were unemployed, an astounding 47 percent increase from 1981. With an unemployment rate of 9.9 percent, which is 14 percent higher than the jobless rate of their non-veteran peers, Vietnam veterans are feeling the economic crunch harder than many. The need for programs such as those contained in Public Law 97-72 is quite apparent, yet the government has seemingly chosen to turn its back on those who gave so much for their country. As a veteran of the Vietnam era, I cannot stand by and watch my peers stopped before they even get a chance to start on the road to economic recovery. We must turn around and squarely face our responsibility to these people.

The Small Business Loan program would assist veterans in new enterprises of their own, an admirable effort in these hard times. Yet the V.A. does not want to "tempt" veterans into starting new businesses through such a program, because of the state of the economy. But, according to the law, each applicant must be deemed worthy of credit before receiving the loan, thereby assuring the Veterans' Administration that each particular case has a good chance of success.

Then why the delay? This country was built by inventive, ingenious entrepreneurs, and is kept viable in the marketplace by small business. If we, as the Administration suggests, fail to properly encourage economic development through such means as small business loans to veterans, who is going to do it? The attitude of despair and hopelessness shared by many veterans will only be deepened if we deny our own people the chance for prosperity.

One of my constituents, who has just opened a new business and is interested in assistance under the Small Business Loan program, has a suggestion of some merit for the V.A. regarding its concern over new businesses in the current economic climate. He suggests that each recipient be required to have a certain amount of background knowledge or education (possibly 3 to 5 years) about the particular area of business he or she is about to enter. Thus, applicants who do not "know the business" before starting out would not qualify for the loans, and only those with that knowledge, who would then have the best chance of surviving, would be eligible to receive funding under Public Law 97-72.

Although eligibility for employment assistance, through on-the-job training or vocational or secondary education, was extended until January 1, 1984, the regulations set by the V.A. have made it extremely difficult for veterans to qualify. At last report in my home state of Iowa, only 4 applications out of 85 were accepted for employment assistance since the beginning of the year. It appears that the intent the Congress had for this program—to help employable veterans obtain an education and a job—has been lost.

The status of these programs proves that this is yet another case where the Administration is only giving lip service to those who truly need the government's help. The Administration says we ought to be concerned about jobless Americans; yet they refuse to support a program which would provide jobs, stimulate the econo-

my, and, at the very least, instill hope and confidence among so many of our veterans.

This charade by the Administration demonstrates its lack of compassion for the common folk, and shows its allegiance to big business and the rich. By refusing to request funds for the Small Business Loan program, it effectively limits the number of small businesses which could have existed. With fewer small businesses in operation, big business has a better chance to increase its powerhold on the nation's economy.

We have already lost valuable time—6 of the 60 months for the Small Business Loan program, and 6 of the 24 months for employment assistance—in providing these opportunities to veterans. It is high time the Administration and the V.A. accepted their duty and responsibility in executing this law which the Congress has passed.

I joing with my colleagues in denouncing the Administration's and the V.A.'s handling of these programs, and express my highest expectations that their inaction will be reversed as soon as possible. We can do no less for the veterans of this nation.

STATEMENT OF CONGRESSMAN JOHN P. MURTHA

I appreciate this opportunity to testify, and I congratulate Chairman Edgar on his deep concern for these veterans issues and for holding these hearings.

Mr. Chairman, many veterans were unable to put their G.I. Bill benefits to good use when they returned home from the service for a host of reasons. Some veterans were psychologically unable to adjust to schools and training programs immediately following military service. Others had wives and children to support and felt they should take any job that was available at the time to get their lives back in order and try to make up for lost time while in the service. Others did not know what they wanted to do with their lives and needed time to get things sorted out mentally and decide where they were headed and how they wanted to try to get there.

Many of these veterans took jobs that could be classified as "dead end" with little or no hope for long term gain or advancement. Some of these veterans had weak academic backgrounds or were high school dropouts before going into the service. Some of them received little or no training while in the military that would be of value to them in civilian life.

Great numbers of veterans found employment in basic industries such as coal mining, steel mills, and the auto industry. These jobs were good while the economy was sound and lasted for several years. These jobs that looked promising and paid well when the servicemen returned home are no longer in great demand today. Most veterans had the least amount of seniority and were the first to be laid off when the economy slowed down. Veterans in certain geographical areas of the country are affected much more than those in other parts of the country, but all have suffered to some extent. Some individuals were able to receive unemployment benefits when they lost their jobs but these have now terminated in many cases. With unemployment rates as high as they have been since the great depression, veterans have little to look forward to at the present time.

It is my belief that the 9.9% unemployment rate for veterans is underestimated, and fails to register a great many underemployed and discouraged workers. The unemployment rate for minority and disabled veterans is much higher in the actual figures, and that, too, is probably underrepresented. The area I represent is one such pocket of unemployment and veterans I meet with tell me they need the extension of G.I. Bill benefits to secure the education and training they need for employment. With at least 750,000 Vietnam veterans unemployed, this should be a critical time for us to show our commitment to them. To provide the unemployed veteran an opportunity to attend a technical school or obtain on-the-job training that will benefit him for the rest of his life, is something that should be done as soon as possible. These young men and women will achieve much greater earnings during the course of their lives and repay many times over what has been spent by their government to provide them an opportunity to prepare for employment in today's market. I know how critically necessary and valuable the G.I. Bill is, having used it to gain my degree in Economics following military service some years ago.

Public Law 97-72 was intended to give veterans, in situations such as those discussed, two additional years to utilize their G.I. Bill benefits for on-the-job training and vocational training programs. These veterans are still in dire need of education and job training assistance to be gainfully employed and support their families with some degree of dignity. Some education and training opportunities are available

today that were not available when these veterans returned home following military service. For example, during the past decade there has been a revolution in the data processing and computer fields and in related technical areas. From all indications, these technological and electronic advances will continue in the future and trained technicians will be in demand. There are also unfilled needs in health care related occupations. With some education and training, a veteran should have an excellent chance of securing long term employment.

In a recent report presented to the Subcommittee on Education, stressing the need for vocational and technical education, Mr. Alfred W. Pelletier, Chief Executive Officer of Mack Truck, Inc., stated that 15,000 more skilled diesel mechanics will probably be needed in the United States by 1985. They will be needed to work for trucking, auto, and bus companies, among others. This is a job area where veterans could be trained and educated to meet future needs. A technical training course in my district which has been of great benefit to veterans and the coal industry is the mine mechanic training program at Elders Ridge, Pennsylvania. During the past decade, a large number of veterans completed the course and because of their new skills and expertise are still employed in the mining industry. More of these trained mechanics will be needed in the future.

It is also possible that after being home for a period of years and trying two or three different jobs, the veteran now has a better idea of what he or she wants to do for a long term and has found a school or job training program that will be appropriate and rewarding when completed. Veterans should be afforded an opportunity to make good use of the benefits they have earned. A fixed time limit of 8 or 10 years for G.I. Bill benefits might be appropriate in some cases, but with other veterans, the two year extension for additional schooling and training may make the difference between a successful and rewarding career or a life of temporary short term jobs and unemployment at the mercy of the economy.

In the case of the small business loan program, it is our hope that the economy will begin to improve in the not too distant future and veterans will be permitted to make loans to start small businesses that have a chance to grow in future years and perhaps give additional veterans gainful employment. To say that no loans should be made available because we are in a recession and small businesses are failing is certainly a negative and defeatist attitude that will help neither veterans, citizens in general, or our nation. Small business is the backbone of our country, employing approximately 35 million Americans. A diversification of small businesses in our communities will be valuable to us in the future as we attempt to avoid the economic disasters that occur periodically in our industry towns.

The recent action by Small Business Administrator, James C. Sanders, to formally acknowledge special consideration for veterans and make preparation to appoint veterans service officers at the 100 SBA offices across the country to assist veterans in management, business training, loan acquisition, and other matters pertaining to getting a small business underway, is a step in the right direction and will be appreciated by the veterans of our nation. However, this on its own will not be enough to give our veterans the opportunity to start a career in business that will be of great benefit to them and their communities. Veterans have shown over the years that they have the motivation, desire, and enthusiasm to work hard and succeed in endeavors where others may fail. There is a great need for new small businesses, especially in areas of our nation that have not experienced rapid growth and development. For these reasons we urge immediate and full funding for this vital program.

With the help and guidance of experts in the SBA, veterans will be able to locate new business opportunities and endeavors that will be successful in the decades ahead. In recent years, veteran have not had the guidance and support necessary to prepare them to take part in our great free enterprise system. They have earned the right to join veterans of other past war eras who have established successful careers in their local communities.

I hope this testimony has been helpful in the goal we all share—to recognize our veterans properly, and to give our Vietnam veterans the opportunities they deserve to structure their lives. I look forward to working with the Subcommittee for this goal.

CONGRESS OF THE UNITED STATES,
HOUSE OF REPRESENTATIVES,
Washington, D.C., June 15, 1982.

Hon. BOB EDGAR,
Chairman, Subcommittee on Education, Training, and Employment, Committee on Veterans Affairs, Cannon House Office Building, Washington, D.C.

DEAR BOB: Thank you for your letter of May 28th alerting me to your Subcommittee's upcoming hearing on the implementation of the VA's job training and small business loan programs authorized under P.L. 97-72. I appreciate your kind invitation to testify and sit with the Subcommittee during its hearing. While I do not wish to present any formal testimony because I am confident that the case will be well put by the veterans who have been denied an opportunity to participate in these potentially valuable programs, I do hope to sit with the Subcommittee during part of its hearing.

It is inexcusable that in a time of rising unemployment, particularly among Americans of the Vietnam era, that the administration has refused to properly implement these programs. The regulations on the job training program effectively prohibit most veterans from participating, and no regulations at all have been issued to implement the Vietnam era veterans small business loan programs. This action is not only a slap-in-the-face to Vietnam era veterans, but it hampers our economic recovery as well.

I want to commend you and your colleagues for your excellent hearings and work on this issue. I would appreciate your including this letter in the record of your hearing, and I stand ready to assist you in any way I can to help our nation's veterans.

Sincerely,

NORMAN E. D'AMOURS,
Member of Congress.

STATEMENT OF DOROTHY L. STARBUCK, CHIEF BENEFITS DIRECTOR, VETERANS ADMINISTRATION

Mr. Chairman and Members of the Subcommittee, we are pleased to appear before you today to provide you, as requested, with an update on our vocational rehabilitation program, veterans educational overpayment problems, the 2-year extension of the BI Bill delimiting date for certain veterans, the new small business loan program, the VEAP program, our chapter 35 education program for dependents, and our views on the VA's omnibus education bill, H.R. 5673.

VOCATIONAL REHABILITATION PROGRAM

First, I would like to turn to the rehabilitation program as amended by Title I of Public Law 96-466.

I am glad to be able to tell you what I think you most want to hear. The new rehabilitation program which was established by Title I is fully operational. When I last discussed the rehabilitation program with you on March 31, 1981, I talked about the steps which had been taken, the steps that were in process, and the steps which would be taken. At that point, most of what I had to say necessarily dealt with steps which were in process, or which were to be taken, rather than actual accomplishment. Today I want to discuss what has been accomplished to establish a fully functional rehabilitation program. I will discuss this under three major categories:

(1) Policy and procedures, which implement provisions of Title I;

(2) in-service training to enable Vocational Rehabilitation and Counseling staff to enhance their skills in (a) providing the broadened scope of services called for under the new program, and (b) becoming familiar with an almost totally new methodology needed to carry out their duties and responsibilities under the new program; and

(3) administrative changes to improve the system for monitoring implementation of the new law and evaluating the quality of service provided service-disabled veterans.

A series of 11 comprehensive issues (Appendices A-K to DVB Circular 28-80-3) dealing with most of the basic provisions of the law were published and issued to field staff on April 7, 1981, and later published in the Federal Register of June 3, 1981. These issues deal with chapter 31 eligibility and entitlement, initial and extended evaluation, Individual Written Rehabilitation Plans and most other provisions which became effective on April 1, 1981.

In December 1981, we issued comprehensive instructions concerning employment services. This clearly presented VA's responsibility for assisting disabled veterans to obtain and maintain suitable employment and focused on the importance of comprehensive employment planning. The major means of assuring that comprehensive planning takes place is the requirement that an IEAP (Individualized Employment Assistance Plan) be developed in each case. The purpose of the IEAP is to identify the specific services and assistance which the veteran will need in order to obtain and maintain employment, and the resources which may be used to provide these services. Employment services can include payment for licensure examination, tools and supplies needed for employment, use of community resources, developing skill and confidence in job search and retention, necessary job placement assistance by VA staff, medical care, and other appropriate services which the veteran may need to obtain and maintain employment. Consistent with the law, an eligible veteran receives employment services for up to 18 months, and extensions of up to 6 months are permitted under certain conditions.

Self-employment is discussed in detail, both as a possible goal for any veteran in the program, and in terms of the special assistance provided in the law to assist those veterans who are so severely disabled that they require homebound training, self-employment, or both. Special emphasis is placed upon thorough planning and analysis, including coordination with SBA, to help assure that the veteran receives the special consideration provided for in the Small Business Act. The recent establishment of a Small Business Loan program for veterans by Public law 97-72 will be considered within the context of the instructions governing approval of small business as an occupational objective for veterans receiving assistance under chapter 31. However, I will comment specifically on this legislation at a later point in my testimony.

Following the appointment of DoL's ASVE (Assistant Secretary for Veterans Employment), representatives from VA and DoL joined forces to negotiate and develop a comprehensive interagency agreement. This agreement is now in final form and should be ratified by both agencies soon. This revised agreement, which replaces the Memorandum of Understanding dated December 18, 1979, provides a detailed outline for interagency cooperation reflecting DoL's and VA's commitment to the successful adjustment, vocational rehabilitation, and employment of veterans. Local statewide agreements, which incorporate national policies and goals, are to be developed and fully implemented within 180 days of the execution of the national agreement. At the national level, I will meet with the DoL immediately after the 180-day period. Following that meeting I will continue to meet as necessary, but not less than once yearly with the ASVE to review the effectiveness of the agreement and make necessary revisions in accordance with legislative and programmatic changes. VA and DoL coordinated the issuance of field directives on the outstationing of DVOP (Disabled Veterans Outreach Program) staff in VA facilities and on legislative changes in the TJTC (Targeted Jobs Tax Credit) program which became effective this year. These two issues require local agreements between the VA and the SESA (State Employment Security Agency) which are to be incorporated into a comprehensive statewide agreement to implement the national agreement to which I referred earlier.

The law established a pilot program of independent living services to enable service-disabled veterans for whom it has been determined that a vocational objective is not reasonably feasible to achieve greater independence in daily living. The law authorized the full range of services which my be needed to achieve independent living goals. Implementing instructions were issued in November 1981. To assure that each veteran receives a coordinated rehabilitation plan specifically designed to meet his or her needs, services to be provided are detailed in a written, individualized independent living plan, a specialized version of the IWRP, developed with the veteran during the initial phase of program participation.

We are authorized by legislation to provide independent living services under this program for up to 500 new veterans each year during FY 1982-1985. Due to the need to develop resources and the difficulty experienced in identifying suitable candidates, it is anticipated that 100 veterans may receive services in FY 1982 and 200 in FY 1983.

We are making a concerted effort to insure that this program is brought to the attention of service-disabled veterans in need of independent living services. These efforts include close coordination with DM&S, the assistance of veterans service organizations, issuance of general information to encourage potentially eligible veterans to apply, and initiation of an extensive outreach effort in April 1982. Public Law 96-466 requires that we submit a report to Congress no later than September 30, 1984, on the accomplishments and cost-effectiveness of the pilot program. The

data elements which are critical to the preparation of the report have been indentified.

We are proceeding with a plan to develop and publish a new, comprehensive series of regulations. A basic decision was made at the time the law was enacted to replace the existing series with a totally new and reorganized system which implemented the program in a systematic, integrated manner rather than to attempt to modify the existing system. In order to assure that this decision would in no way impede the implementation of the new program, we published a series fo issues which I have described to provide both policy and procedures to be followed by field staff. Each of these issues has been published in the Federal Register. Also, in the Federal Register of April 26, we published a detailed outline of our proposed chapter 31 regulations under development for the period from April 22 to October 23, 1982. We propose to publish the series of regulations listed in the Register in six sections. The first section was published for comment on April 29, 1982, and the other sections are in process.

Mr. Chairman, I am pleased to report that the administrator's Advisory Committee on Rehabilitation was officially convened on March 16, 1982. The Committee members, who have made significant accomplishments in their respective fields of rehabilitation, medicine, vocational guidance, vocational rehabilitation, and employment and training programs, have responded to the Administrator's charge with enthusiasm. The Committee reconvened for a 2-day working session earlier this month. The Committee's annual report to Congress will include an assessment of the rehabilitation needs of veterans and a review of the VA's efforts to meet those needs. We are looking forward to their advice and consultation with respect to the administration of veterans' rehabilitation programs under title 38.

I now want to turn to in-service training, the second of the three major activities needed to establish the new program. The key activity in this area is a series of four workshops for Vocational Rehabilitation and Counseling Officers. Each of the VR&C Officers attending these meetings was required to follow up by transmitting information and training provided to staff concerned with the rehabilitation program at his or her station.

The first of these workshops was a national meeting held at Indianapolis in September 1981. The national meeting was attended by every VR&C Officer. The meeting focused on new concepts and provisions of Public Law 96-466, new and modified chapter 31 policies and procedures, and program accountability.

This initial meeting has been followed by three regional conferences attended by each VR&C Officer in the region. The regional meetings focused more specifically and intensively on selected areas such as management of the VR&C Division, work measurement, employment services and independent living. The first of the regional meetings was held in March 1982, the second in May 1982, and the third is scheduled for next week.

In addition to these activities we have:

(1) Developed and implemented procedures to assess the education, training and work experience of VR&C staff;

(2) provided assistance to regional office VR&C Divisions concerning the development of in-service training programs; and

(3) received authorization from the Commission on Rehabilitation Counselor Certification to act as a grantor of certification maintenance credit to certified rehabilitation counselors employed by DVB, VR&C Service.

Mr. Chairman, the third and last area I wish to present as part of the update on the rehabilitation program is the administrative changes made to improve the system for monitoring implementation of the new law and evaluating the quality of service provided service-disabled veterans.

The restructuring and restandardization of the VR&C work measurement system was completed during late FY 1981. This new system reflects the provisions of Public Law 96-466 and provides program managers with the necessary tools to determine and analyze staffing patterns. The series of operating performance reports was revised to accommodate the new system and enables management to monitor labor effectiveness and productivity.

We have taken several steps to establish an improved system to provide management information and evaluation to all levels of VR&C and VA management. During March and April 1982, we issued instructions to VR&C field operations to implement this system. The first part is the Systematic Analysis of Operations. The purpose of the Systematic Analysis of Operations is to periodically examine and, where required, adjust critical elements of the program operations (such as timely scheduling for initial evaluation, provision of rehabilitation services during training, and employment assistance), and determine the quality, degree of effectiveness, effi-

ciency and economy of services provided. The second part of the system involves quality review and analysis of VR&C casework and work measurement application. This review is carried out by VR&C field stations and Central Office staff. Both Systematic Analysis of Operations and quality review programs serve to identify aspects of the program which may need quality improvement. The third part of the management and evaluation system requires VR&C field staff to submit monthly narrative reports on activities in specified critical areas of operation. This will enable us to have some firm outcome data, as well as greater insight into some of the new program elements.

Mr. Chairman, this completes the updating on the rehabilitation program.

EDUCATION OVERPAYMENTS

As you know, we have experienced a general decrease in the number of GI Bill trainees as more and more veterans have come up against their delimiting dates. The decrease is also reflected in the number of overpayments established. During the first and second quarters of FY 1981, we established 201,353 overpayment accounts with a dollar value of $90.5 million. During the same period of FY 1982, we established 158,845 accounts with a value of $86.3 million. It should be noted that, while the number of establishements has decreased, the average dollar value of the overpayments established has risen from $450 in FY 1981 to $544 in FY 1982. This is due mainly to increases in monthly benefits being paid.

In conjunction with the previously mentioned decreases, we have also realized a reduction in total dispositions of overpayments. During the first half of FY 1981, we disposed of 200,323 accounts with a dollar value of $92.1 million. During the same period of FY 1982, we disposed of 150,518 accounts with a value of $60 million. This decrease is the result of changes in our previous collection procedures. Prior to the passage of Public Law 96-466 we had been following GAO regulations and would terminate certain accounts if we were unsuccessful with our administrative collection attempts or were unable to locate the debtor. We no longer follow this practice. In the first and second quarters of FY 1981, we had terminated collection action on 37,122 accounts worth $22.3 million. We have not terminated any accounts in FY 1982 and we will soon reactivate all the previously terminated receivables.

Our current balances on hand also reflect the previously mentioned decreases. As of March 31, 1981, we had an on-hand balance of 486,692 accounts with a value of $385.4 million. This includes 53,205 accounts for $61.4 million which had been referred to the Department of Justice and 28,195 accounts for $15.1 million which had been referred to VA District Counsels for litigation. This leaves an actual balance of 405,292 accounts for $308.8 million on which administrative collection action is currently being taken. In comparison, on March 31, 1982, we had an on-hand balance of 531,951 accounts for $402.2 million. This includes 39,668 accounts for $50.9 million which had been referred to the Department of Justice and 120,952 accounts for $74.2 million which had been referred to VA District Counsels for litigation. This leaves an actual balance of 371,331 accounts for $277.1 million on which administrative collection action is being taken.

EFFECT OF PUBLIC LAW 96-466

Mr. Chairman, I would now like to turn to the subject of the debt collection provisions of Public Law 96-466. The provisions of Public Law 96-466 pertaining to debt collection were:

(1) Offset from current benefits beyond expiration of the statute of limitations;

(2) use of VA District Counsels for enforced collection on accounts;

(3) charging of interest and the administrative cost of collection on delinquent debts including those being paid by installment; and

(4) reporting delinquent accounts to consumer reporting agencies (CRA's).

We have always offset from current benefits without regard to the statute of limitations, and we are continuing this practice under Public Law 96-466.

An agreement was signed on October 17, 1980, between the VA and the Department of Justice meeting the intent of the second provision. We are now using VA District Counsels for enforced collection on accounts of $1,200 or less. During the life of the VA District Counsel referral program, we have referred 174,000 accounts for $108.5 million to District Counsels. We have realized disposition of 54,000 accounts for $34 million.

Implementation of the final two provisions was delayed pending expansion of our computer capacity for the Centralized Accounts Receivable System (CARS), located in the VARO&IC at St. Paul. In effect, implementation necessitates the reactivation of all terminated accounts because the debtor must first be notified of our intent to

charge interest, assess administrative cost of collection and refer to CRA's. This would more than double the total number of accounts (education, compensation and pension overpayments, and loan guaranty defaults) in CARS, rendering the project impossible to handle on the computer hardware existing at the time. This problem was eliminated with the installation of a current state-of-the-art computer system at our St. Paul DPC in December 1981.

The VA currently has a task force of experienced technical and debt collection personnel responsible for implementation of the Agency Debt Collection Plan which was submitted to OMB in September 1981. This plan presents a seven tasks approach which, when completed, will bring the VA into full compliance with the provisions of Public Law 96–466.

Task 1, Transfer of qualified accounts receivable from VA regional offices to CARS. This will assure uniform application of debt collection policies and procedures. It also affords us the opportunity to use automated resources, thus saving human resources for other duties. This task was targeted for November 1981, it was completed in October 1981.

Task 2, Expansion of the CARS master records. This will allow us to capture, store and retrieve data related to our debt collection activities. It will also allow us to produce specific reporting statistics for analysis and management information. This task was targeted for January 1982 and was completed on schedule.

Task 3, Reactivation of terminated accounts receivable. Completion of this project will result in approximately 800,000 accounts with a value of more than $200 million being reactivated and established into CARS. These accounts will then be subject to all the provisions of Public Law 96–466. Completion of this task was targeted for June 1982 for Education accounts and July 1982 for C&P accounts. In May 1982, we reactivated 654,860 Education accounts with a value of $191.3 million. The C&P accounts will likewise be reactivated on or ahead of schedule.

Tasks 4 and 5, Charging of interest and administrative cost of collection. The task force is currently developing the necessary function and technical specifications to complete the effort. The project is on schedule and a completion date of November 1982 is expected for Education accounts. The C&P accounts will follow in October 1983. This split approach is necessary because of the complexity of the computer systems involved and resource constraints.

Task 6, Referral of C&P overpayments and Loan Guaranty defaults to the Department of Justice and VA District Counsels. With the completion of this task, CARS will begin referring all types of delinquent accounts for enforced collection. At the current time, CARS only refers Education accounts. This effort is on schedule and is targeted for completion in January 1983.

Task 7, Referral of debts to consumer reporting agencies (CRA's). This involves the preparation of functional requirements, functional specifications, technical specifications and programming to provide for automated reporting of delinquent debtors to consumer reporting agency records and overall control of the status of these debts. This is a more complex issue since it will require contracting with at least five and possibly more separate consumer reporting agencies in order to obtain nationwide coverage. A request for proposal has been issued in order to ascertain what can be expected from consumer reporting agencies and the capabilities of the various firms in the business. This project is targeted for August 1983.

TWO-YEAR DELIMITING DATE

Turning next to the 2-year delimiting date extension, Public Law 97–72, "The Veterans' Health Care, Training and Small Business Loan Act of 1981," amended 38 U.S.C. § 1662(a)(3) and provided an extension of the delimiting date for certain chapter 34 veterans. The extension is available to Vietnam era veterans who do not have a high school diploma and to those who are found to be in need of vocational training or on-the-job training. In order to receive benefits beyond the delimiting date—whether for vocational, apprenticeship or other on-the-job training—veterans must need the training to achieve a suitable occupational or vocational objective either because they are unskilled or because they are unemployed as well as unskilled.

In reviewing the legislative history of Public Law 97–72, we gave particular attention to the expressed intent to extend the delimiting date in order to allow pursuit of a program of apprenticeship or other on-the-job training, or a program with a vocational objective, or, for pursuit of a program of secondary education. We looked at this amendment as a way to provide a limited extension to those veterans who, within their original 10-year delimiting period, were not able to use their benefits to achieve either the education or the skills necessary to enter the work force. We do not believe that Congress intended to provide a general extension of the GI Bill to

veterans who possess relatively extensive educational backgrounds or to those veterans who have marketable skills, but who are presently experiencing employment problems.

To implement the delimiting date portion of Public Law 97-72, we issued DVB Circular 22-81-15. The eligibility criteria contained in the Circular focus on veterans who lack a high school diploma (or the equivalent), and those who are unemployed or underemployed because they lack the educational or vocational skills that would allow them to pursue an occupation. Our criteria allow for individualized eligibility determinations and our procedures require a formal administrative decision in most cases, approved by at least a section chief. In addition, we provide for the determination to be made by a professional psychologist, if requested by the veteran.

VEAP PROGRAM

Mr. Chairman, you also asked about the chapter 32 program (VEAP), and the chapter 35 program (Dependents' Educational Assistance).

At the end of fiscal year 1981, there were over 260,000 VEAP participants. We expect this number to increase to about 530,000 by the end of fiscal year 1985.

During May 1982, 8,181 individuals trained under VEAP. Of that number, 7,393 were pursuing college-level training, 782 were in vocational/technical training, and 5 were taking high school courses. By the end of fiscal year 1985, we anticipate there will be close to 40,000 chapter 32 trainees.

DEPENDENTS EDUCATION PROGRAM

There were 57,261 active chapter 35 trainees as of April 30, 1982. Here again, the majority—52,223—were attending institutions of higher learning. There were 134 apprentices and 68 on-the-job trainees; the majority of the remainder were enrolled in noncollege degree programs.

During all of FY 1981, there were 94,594 individuals who trained under chapter 35. We project that at the end of FY 1985 this number will have fallen to 85,000.

VA BUSINESS LOAN PROGRAM

Mr. Chairman, I will now turn to the VA business loan program, which was established under the provisions of Public Law 97-72 and enacted on November 3, 1981. A 180-day delay from the date of enactment (May 3, 1982) was established as the effective date in order to give the Agency time to promulgate regulations and to establish the program. The law established a revolving fund and authorized a maximum of $25 million to be appropriated to that fund. Also, a separate appropriation of $750,000 was authorized for use by the VA for expenses incidental to the establishment of the program. However, no funds have been appropriated for FY 1982, and none are expected for FY 1983.

Despite a lack of funding for either the revolving fund or start-up expenses, and notwithstanding a lack of expertise in business financing by VA personnel which could not be improved due to the absence of funding, we have taken steps toward implementation of the program. Since the proposed VA program is modeled after the SBA program, representatives of the Department of Veterans Benefits, along with a representative from the Office of General Counsel, have met with Small Business Administration officials to discuss their experience with this type of program. The meetings have been most helpful to VA personnel in understanding the complexities of business financing. The VA has drafted a set of proposed business loan regulations based upon existing SBA regulations and the advice provided by SBA personnel. It is expected that our business loan regulations will be published for public comment in the near future. Our efforts will insure that the new program will accomplish the dual goals of assisting veterans to obtain small business loans while protecting the Government's interests.

We should also note, Mr. Chairman, that shortly after the enactment of Public Law 97-72, the Small Business Administration established a task force to make recommendations on methods of providing special consideration to all veterans in carrying out its programs in compliance with the terms of the existing Small Business Act. This task force included VA personnel. The task force recently completed its study and has submitted numerous recommendations to the Administrator of SBA for implementation. Those recommendations, which the VA supports, would provide meaningful Federal assistance to veterans in obtaining business loans and assure that they receive the special consideration mandated by the SBA law.

OMNIBUS EDUCATION BILL

Mr. Chairman, I would now like to turn my attention to the omnibus education bill the Veterans Administration sent to the Congress last February and which Chairman Montgomery introduced at our request (H.R. 5673). The provisions I would like to address today are—with one or two possible exceptions—noncontroversial. However, they are provisions we strongly urge be enacted to aid us in the administration of our education programs.

Sections 204 and 207 of the measure would repeal provisions applicable to education programs for veterans and dependents which presently require vocational schools to report on the number of their graduates who, during the preceding 2-year period, have obtained employment in the field for which the school has provided training.

This reporting requirement was originally enacted in 1974 to mitigate against abuses which had arisen in our education programs. At the time, there were over 600,000 veterans enrolled in vocational training compared with approximately 129,000 enrolled in Fiscal Year 1981, and there were many thousands of courses being offered. Approximately 25 percent of the courses being reported on were disapproved for failure to meet the employment criteria. Our recent disapproval figure was about 3 percent. Thus, we believe the provision has had the salutary effect of reducing the number of courses which are not providing appropriate training.

The preparation and filling of these reports is very costly, necessitating approximately 256 man-years of effort on the part of schools in Fiscal Year 1981, and an estimated 197 man-years for Fiscal Year 1982. Elimination of this reporting requirement would be in line with the Administration's goal of reducing paperwork, and would save administrative costs on the part of the State approving agencies as well as the VA. Thus, we believe this requirement has served its basic purpose and can now be terminated.

Sections 101(2), 206(2) and 208 of the measure propose to modify the method of payment of educational and subsistence benefits to eligible veterans and eligible dependents who are incarcerated in Federal, State or local prisons.

In enacting Public Law 96–466 in October 1980, the Congress imposed several restrictions on the payment of these benefits. First, as to those veterans and dependents pursuing educational programs under chapter 34 or 35 who have been convicted of a felony, provision was made to limit the benefit payments to the cost of the tuition, fees, supplies, books and equipment which similarly circumstanced nonveterans are required to pay, or the applicable monthly benefit payable to a veteran without dependents, whichever is lesser. In the case of veterans pursuing programs of vocational rehabilitation under chapter 31, the veteran would be paid his or her educational expenses, but not any subsistence allowance.

In addition, where the veteran or dependent is residing in a halfway house or participating in a work-release program, the new law requires the Administrator to determine whether all of the individual's living expenses are being defrayed by a Federal, State, or local government. If they are, we must apply the same rule as to those incarcerated. If these expenses are not being fully defrayed, we must pay the veteran or dependent the same amount normally paid a veteran or dependent who is not incarcerated.

Second, the Congress adopted the so-called Sawyer amendment which applies across-the-board to all individuals incarcerated in a Federal, State, or local prison, whether convicted of a felony or a misdemeanor. Under this amendment, payment of educational benefits is barred to the extent the tuition and fees of the individual are paid under any Federal, State, or local program (other than a program administered by the VA), or where there are no tuition and fees for the program.

In our omnibus education bill, we have proposed simplifying these procedures. Where an individual is incarcerated for conviction of a felony, such person would be limited to the tuition, fees, books, supplies and equipment, or the full-time single verteran rate, whichever is lesser—the same as current law—if pursuing a chapter 34 to 35 program, or educational expenses only if under chapter 31. However, we would eliminate the requirement for verification of the amount of the defrayment of an individual's living expenses where he or she is in a halfway house or a work-release program. This verification has been most difficult and time consuming and, therefore, has not been cost-effective.

Eliminating the determination would permit payment of the allowance to such individuals as a part of their readjustment process.

Finally, we would limit the application of the so-called Sawyer admendment. Needless to say, this proposal has created many administrative problems in making determinations as to the type of the conviction as well as making determinations as

to the amount of payments which may be made by some other governmental unit. We would, therefore, urge repeal of this proposal.

Section 209 proposes to add a new clause (2) to section 1790(b) of title 38. This section would authorize the Administrator to discontinue all educational assistance for enrollments in a course which the Administrator finds is in serious violation of fundamental statutory approval, or in an educational institution which has failed to adhere to recordkeeping or reporting requirments after the school has been afforded a reasonable period of time in which to correct the problem, but has failed to do so.

Currently, where a course fails to meet approval requirements, payments to veterans and dependents continue until remedial action, such as withdrawal of approval, is effected or until evidence of nonentitlement is acquired in each individual case. Payments may be unduly prolonged for various reasons outside the Administrator's control.

The current provision was enacted in Public Law 95-202 and was based upon two cases in which the benefits of all veterans enrolled were suspended based on flagrant violations which called into question the propriety of continued payments. Benefits subsequently were reinstated for many veterans whose entitlement thereto had been confirmed. The current requirement has the effect of barring the Administrator from discontinuing benefits en masse, regardless of the magnitude or severity of perceived violations unless there is evidence that each veteran or dependent does not have entitlement to benefits. It also requires the Administrator to concurrently notify VA beneficiaries in any case when action is taken to discontinue their benefits.

Our proposal would modify the requirement to permit discontinuance of benefits to all those enrolled where evidence is available which shows serious violations of school recordkeeping or reporting requirements and the school has been adequately notified and given a reasonable amount of time to correct the deficiencies, but has failed to do so. The same concurrent notice to the veteran or dependent of the impending cessation of benefit payments would be retained. the inability of the VA under existing law to even suspend benefits pending investigation of the effect of noted violations has led to many preventable overpayments. We believe furnishing the school notice and advising the individuals of the impending termination of benefits, together with the basis for such action, would curtail many of the abuses which have occurred.

Section 210 of the omnibus measure proposes to amend section 1798(e)(3) of title 38 to eliminate the requirement that the Administrator report to the Congress, on a school-by-school basis, on the education loan default rate.

As you are aware, the education loan program of the Veterans Administation has been drastically curtailed. The only individuals who can now qualify for an education loan are those who continue in their programs of education full time after their eligibility expires (and then only for a limited period of time) and those individuals eligible for a loan who are in flight training at the 60 percent reimbursement rate.

Requiring the compiling of default statistics on a school-by-school basis has proved to be administratively costly, and we are unaware of any inquiry being made concerning, or any other use being made of, these individual school statistics. A report on the overall default rate would, of course, be continued, but not on the detailed school-by-school basis.

Section 401 of the measure would reduce, from 2 years to 180 days, the period of time within which a veteran or dependent may request a waiver of the recovery of a VA overpayment.

When the 2-year period was originally granted, the attitude, as shown in the legislative history of this provision, was that veterans should be given at least as much time to request a waiver as a Federal employee who has been overpaid. Since that time, however, the VA overpayment problem has become more critical and numerous debt collection provisions have been enacted to ameliorate it.

We believe that allowing an individual 180 days in which to request a waiver is sufficient. This would mean that the time during which a waiver request could be considered would be during a period immediately following notice to the individual of the overpayment, at a time during which events are fresh, memories relatively unclouded, and witnesses more available. The applicant for a waiver would be given a speedier resolution of the matter and the VA would be in a position to provide the supporting documents, witnesses, and explanation while these are still close at hand. This would air our collection effort by expenditing the resolution of these issues.

As you are aware, the Veterans Administration has, over the past several years, advocated termination of the correspondence training program for veterans and eligible spouses. We renew our recommendation for ending this program now.

We continue to maintain the position that correspondence training has not met the objective of providing substantial employment for those trained, and that many individuals have used this program primarily for recreational or avocational purposes.

Over the years, the Congress has reduced the reimbursement rate for this program from the original 100 percent to 90 percent to 70 percent and now to the 55 percent level. In addition, the bar to the VA making payment for this type of training, imposed during fiscal year 1982, was removed only recently. We would urge the Congress to take that one final step to terminate the program once and for all through adoption of Title III of H.R. 5673. This would represent a fairly substantial saving over the next 5 fiscal years.

Finally, sections 203, 205, and 206(1) are nonsubstantive changes we urge be enacted to clarify certain ambiguities in title 38.

Section 1652(b) permits those veterans who need management courses to qualify for Small Business Administration loans to pursue these courses under the GI Bill. Section 402(a) of the Economic Opportunity Act of 1964 is currently cited as the authority for such pursuit. However, this provision of law has been repealed and is now found in section 7(i) of the Small Business Act (15 U.S.C. § 636(i)). The change incorporated in section 203 would merely cite the correct statutory authority.

Section 205 of the bill would amend section 1673(d) of title 38 to provide that educationally disadvantaged service-persons pursuing high school completion or GED courses under section 1691, without charge to entitlement, are subject to the 85–15 veteran-dependent enrollment requirement. In enacting Public Law 96–466, the Congress amended section 1691 of title 38, authorizing these educationally disadvantaged servicepersons to pursue this type of training, and provided in that latter section that these individuals would be subject to the 85–15 rule. However, it failed to include a concurrent provision in section 1673(d) which contains the 85–15 requirement. This change would merely correct this oversight.

In the enactment of Public Law 96–466, the Congress also provided that the entitlement charge for the pursuit of independent study courses would be made at one-half the full-time rate where the entire pursuit is by independent study. This has resulted in a situation where a veteran, who is pursuing such study on less than a half-time rate, could have his or her entitlement charged at the half-time rate, thereby reducing the individual's entitlement by more than the actual pursuit.

We do not believe this was intended. We are urging that a change be made in section 1682(e) to charge entitlement based on the actual rate of pursuit.

Before concluding, Mr. Chairman, there is one additional legislative matter I would like to bring to your attention. We have just sent a letter to the Speaker requesting that a measure be introduced and considered by the Congress to permit the VA to deposit funds received from the military services for the new DoD "901" education program into the account established in the Treasury for handling funds provided the VA by DoD for administering the VEAP program.

The new "901" program was established by Public Law 96–342 to provide educational assistance to certain service personnel who enlisted or reenlisted in the military service between October 1, 1980, and October 1, 1981. This program, like VEAP, will be funded by the Department of Defense but administered by the VA.

The VEAP account is an established automated system which lends itself to the modifications required to run the 901 program. Allowing the VA to deposit 901 funds into the VEAP account, while keeping the funds separate, would enable us to use this VEAP account for administering of both programs. Without this authority, we would be required to establish a completely manual system for the new program. This, on its face, would make it difficult and unwiedly to administer.

We urge that your Committee give prompt consideration to this new request and include it in with those provisions of the omnibus education bill we have supported here today. Since individuals will become eligible under the new program next December, there is urgency to this new request.

Mr. Chairman, I wish to reiterate our strong recommendation that these changes be enacted promptly to assist us in administering our education programs in an appropriate manner. This concludes my presentation on the various matters on which we were requested to testify. I will be pleased to respond to any questions you or the other members of your Subcommittee may wish to propound.

[From "Employment and Earnings—June 1982," published by the U.S. Department of Labor, Bureau of Labor Statistics]

HOUSEHOLD DATA—EMPLOYMENT STATUS OF MALE VIETNAM-ERA VETERANS AND NONVETERANS BY AGE

[Numbers in thousands]

Veteran status and age	Not seasonally adjusted									
	Civilian noninstitutional population		Civilian labor force							
			Total		Employed		Unemployed			
							Number		Percent of labor force	
	May 1981	May 1982	May 1981	May 1982	May 1981	May 1982	May 1981	May 1982	May 1981	May 1982
Veterans										
Total, 25 years and over	8,526	8,682	8,085	8,220	7,649	7,535	436	685	5.4	8.3
25 to 39 years	7,323	7,172	7,039	6,896	6,636	6,275	403	621	5.7	9.0
25 to 29 years	1,516	1,252	1,423	1,160	1,290	964	133	196	9.3	15.9
30 to 34 years	3,368	2,988	3,254	2,880	3,078	2,664	176	216	5.4	7.5
35 to 39 years	2,439	2,932	2,362	2,856	2,268	2,647	94	209	4.0	7.3
40 years and over	1,203	1,510	1,046	1,324	1,013	1,260	33	64	3.2	4.8
Nonveterans										
Total, 25 to 39 years	17,098	18,089	16,276	17,164	15,349	15,762	927	1,402	5.7	8.2
25 to 29 years	7,818	8,130	7,411	7,670	6,919	6,958	492	712	6.6	9.3
30 to 34 years	5,416	5,906	5,172	5,650	4,879	5,207	293	443	5.7	7.8
35 to 39 years	3,864	4,053	3,693	3,844	3,551	3,597	142	247	3.8	6.4

Note: Vietnam-era veterans are males who served in the Armed Forces between August 5, 1964 and May 7, 1975. Nonveterans are males who have never served in the Armed Forces; published data are limited to those 25 to 39 years of age, the group that most closely corresponds to the bulk of the Vietnam-era veteran population.

In May 1982 there were 685,000 Vietnam Era veterans unemployed. Rough Estimates indicate that an additional 350,000 to 400,000 may be considered "Discouraged workers" who have just given up and are not counted by the Dept. of Labor

Unemployment for Vietnam Era veterans age 25–29 in May was 16.0 percent. For non veterans in the same age group the rate was 9.3 percent.

	Percent
Veterans, age 35 to 39	7.3
Non veterans	6.4

U.S. SENATE,
COMMITTEE ON VETERANS' AFFAIRS,
Washington, D.C., March 18, 1982.

Hon. ROBERT P. NIMMO,
Administrator Veterans' Affairs, Washington, D.C.

DEAR BOB: I am writing in response to the March 11, 1982, *Federal Register* notice requesting public comments on the provisions of DVB Circular 22-81-15, dated December 22, 1981, which implements the so-called targeted delimiting date extension provision enacted in section 201 of the Veteran' Health Care, Training, and Small Business Act of 1981 [1] (Public Law 97-72). The substance of the concerns expressed in this letter were shared in January by Committee Minority staff with Chuck Hagel and Bob Coy.

Under the new provision (section 1662 (a)(3) of title 38, United States Code) a veteran whose GI Bill delimiting period has expired or will expire before December 31, 1983, has until that date to use his or her remaining entitlement for vocational training or apprenticeship or other on-job training if the Administrator has determined that the veteran is "in need" of the training "in order to achieve a suitable occupational or vocational objective." That determination is to be made in accordance with regulations that the Administrator must prescribe.

Although the new provision gives the Administrator certain programmatic flexibility in making determinations regarding the veteran's "need" for training, I have

[1] In the Circular, "Small" is incorrectly omitted.

very substantial concerns regarding the unduly restrictive manner is which the Circular implements this legislation. As to certain restrictions, I doubt the legal authority; as to others, I seriously question the policy justification. On the whole, I believe the manner in which the Congressional intent underlying the provision as evidenced by its legislative history, and represents what will be perceived as a broken promise of assistance to many Vietnam-era veterans.

My specific comments follow:

ELIGIBILITY CRITERIA

Section 3.c. of the Circular provides that only veterans who are determined to be "unskilled" will be eligible for vocational and on-job training, and section 6.b. provides that any one (1) who holds a two-year degree or has completed 60 hours of college-level courses, or (2) who has ever held or qualified for more than an entry level job or (3) who has ever had a job requiring more than three months of vocational preparation will not be considered unskilled, regardless of whether that individual is currently employed or underemployed or able to obtain employment. Thus, the Circular reduces the determination of whether a veteran is "in need" of and thus eligible for training to a mechanical process under which the veteran will be ineligible if any one of these three criteria apply, and, where that is so, the inability of the individual to obtain employment is given no consideration.

This approach is inconsistent with the legislative history of section 201 of Public Law 97-72 in two major respects. First, that legislative history is replete with evidence that the purpose of this provision is to help deal with the employment problems of Vietnam-era veterans. The House Veterans' Affairs Committee, on page 5 of its report on H.R. 3423 (H. Rept. No. 97-78), stated, with respect to the provision from which section 201 of Public Law 97-72 was derived, that the purpose was to provide a "means to isolate and target job training and placement for those veterans of the Vietnam Era *who are still experiencing employment problems." (Emphasis added.)*

In this same connection, on page 4 of that report, the House Committee expressed its concern for the "needs of . . . veterans who have not successfully readjusted, many of whom are frequently unskilled, unemployed, or underemployed." Those concerns were echoed during the Senate's consideration of its version of the provision (see the debate on Amendment No. 48 to S. 921 in the Congressional Record, pages S6205-07, daily ed., June 15, 1981). During the floor debate on the Senate provision, I described the extension proposal, of which I was the author, as a means of assisting "unskilled, unemployed Vietnam-era veterans" whose needs could be "seen in the high rates of unemployment that continue to plague this segment of the labor force", and the Chairman of the Senate Committee described the provision as "an effective way to reach and provide assistance to those Vietnam-era veterans who are in need of employment *or* minimal educational assistance." (Emphasis added.)

Finally, in October during the Senate debate on final passage of the provision that was enacted, I noted that it "should be of particular benefit to those veterans seeking assistance from vet centers who have employment-related difficulties" (Congressional Record, page S11587, daily ed., October 16, 1981).

Thus, it is clear that the Congressional intent was to focus the extension of vocational and on-job training assistance on Vietnam-era veterans who are experiencing employment problems. For the VA to ignore those problems wherever one of the three automatic criteria set forth in section 6.b. of the Circular applies, is to ignore or reject the clear legislative purpose of the extension.

The second respect in which the Circular is inconsistent with the legislative history is that the approach taken in the Circular precludes the making of individualized determinations of the "need" for training. As originally passed by the House, the provision in question allowed determinations of need to be made by "a counselor at a readjustment counseling center . . ., a State employment office, a veterans' assistance office, or a Veterans' Administration medical facility . . . ." Under the provision enacted into law, the authority to make determinations of need was granted only to the Administrator because of concerns related to the administrative and other problems that could result from granting such adjudicatory authority to various categories of personnel with no adjudicatory experience. There was no intention whatsoever to abandon the individualized approach to making determinations of eligibility.

Thus, although the three criteria discussed above may be appropriate in order to determine who should not automatically be eligible for the extension, they seem to me much too rigorous to cause automatic ineligibility. Moreover, unless there are reasonable policy justifications for these rigid categories of ineligibility, I believe

that the criteria in the Circular are vulnerable to challenge on grounds of arbitrariness and capriciousness in agency action.

What is lacking, in order for the Circular to be consistent with the law and Congressional intent, is a criterion for making individualized determinations of eligibility in the cases of unemployed or under-employed veterans who are clearly in need of training despite the fact that one of the existing criteria for denying eligibility applies. Thus, I strongly urge that a new criterion be added providing that if any one or more of these three factors are present, eligibility be determined by examining the veteran's overall employment and training history to determine whether or not the veteran requires training, in order to obtain a reasonably stable employment situation consistent with the veteran's abilities and aptitudes. (Explanatory materials could indicate that a temporary lay-off in a skilled occupation would not provide eligibility in the absence of circumstances indicating that there is no reasonable expectation that the veteran will be able to maintain employment in that or a similar occuption.) In the case of a veteran who has more than 60 semester hours of college credit or has obtained a two-year college degree, guidelines should require that the veteran be referred to a qualified counselor to determine if the credits or the degree represent an attainment of a skill that the veteran is likely to be able to use in the employment market in the foreseeable future. Likewise, notwithstanding the nature of previously held employment, substantial periods of unemployment should also be taken into account as part of making a fair evaluation of the current relevance of the veteran's prior training and experience. Finally, the guidelines should require that consideration also be given to the period of time that has elapsed since the end of any prior training and employment. For example, although as noted in section 6.b.(2)(c) of the Circular, a veteran who had training as an ambulance attendant prior to military service may very well have trained for nine months, ten years later that training may not provide the veteran with a realistic opportunity for employment and should not alone be a grounds for denying the veteran a delimiting date extension.

EXCLUSION OF CORRESPONDENCE TRAINING

I also believe that the blanket exclusion, in section 3.d. of the Circular, of correspondence training benefits during an extension is clearly unauthorized and contradicted by the legislative history of Public Law 97-72. The only specific type of vocational-objective training considered for exclusion by the Congress was flight training, and the legislation as originally passed by both Houses provided such an exclusion. That exclusion was deleted from the provision ultimately enacted on the grounds that, since Public Law 97-35, the Omnibus Budget Reconciliation Act of 1981, had terminated GI Bill benefit eligibility for post-September 30, 1981, enrollments in flight training, the exclusion of flight training was superfluous. Further, as the author of the Senate-passed version of the extension provision, I call your attention to my remarks, made during this Committee's April 30, 1981, nearing (excerpt from the hearing enclosed) specifying that it was indeed the intent to permit correspondence training to be pursued under that extension. Nothing in the language or anywhere else in the legislative history of the enacted provision negates that expression of intent.

EXCLUSION OF COLLEGE-LEVEL DEGREE COURSES

With respect to the limitations that have been placed on the programs of study which may be pursued by a veteran during an extension, I would appreciate clarification on the status of certificate programs offered by junior and community colleges. It is my understanding that such vocational-objective programs of study would be approved under the extension if the program met the applicable criteria for VA approval. Is this a correct understanding?

I would also like to know what arrangement would be made to enable a veteran to use the extension to pursue vocational-objective training if he or she (1) resides in a geographically-remote area where there are no trade or technical schools and the local community college offers vocational-objective type training only through associate degree programs or (2) wishes to pursue training that is offered only through a degree program.

In this connection, I note that there is no legislative language or history supporting the blanket exclusion, in section 3.d. of the Circular, of college-degree courses. Indeed, the law expressly provides the extension for pursuit of a "course with an approved vocational objective". As defined in VA regulations (38 CFR 21.4230(b)), a vocational-objective program of education is "one that leads to an occupation" and "may include educational objectives essential to prepare for the chosen occupation".

On this basis, it seems clear to me that a program leading to an associate's degree in, for example, auto mechanics or air conditioning repair could be considered vocational-objective training. Why have you determined that such a program should not be covered by the extension?

NEED FOR DATA

Finally, in light of the short, two-year period of eligibility, I am concerned about the time involved in processing applications for extensions. In this regard, I would appreciate receiving from you, on an expedited basis, summaries of the quarterly reports on the implementation of this provision required to be submitted to Central Office by section 12 of the Circular, as well as an indication, on a quarterly basis, as to the average processing time for applications (broken down to show time involved in applications approved and applications denied). Further, in light of the concerns I have raised and the possibility of future administrative or legislative action to modify what I believe are excessively rigid criteria lacking either statutory or policy justification, I urge that steps be taken to assure that records are maintained on those veterans whose applications have been denied so that, if need be, those veterans can be contacted in the future.

Thank you for your consideration. I look forward to hearing from you regarding this matter in the near future.

With warm regards,

Cordially,

ALAN CRANSTON,
Ranking Minority Member.

VETERANS' ADMINISTRATION,
Washington, D.C., April 8, 1982.

Hon. ALAN CRANSTON,
Ranking Minority Member, Committee on Veterans' Affairs, U.S. Senate, Washington, D.C.

DEAR SENATOR CRANSTON: Thank you for your letter of March 18, 1982, concerning implementation of Public Law 97-72, the Veterans' Health Care, Training, and Small Business Act of 1981.

With the amendment to section 1662(a) of title 38, United States Code, which provided an extension to the delimiting period of certain Vietnam-era veterans, I was charged with the responsibility for developing criteria for determining the need for such an extension in accordance with the intent of Congress. In reviewing the history of this law, careful note was taken of the expressed legislative intent to extend the delimiting period to allow pursuit of a program of apprenticeship as other on-the-job training, or a program with a vocational objective if the veteran is in need of such training in order to achieve a suitable occupational or vocational objective, or for pursuit of a program of secondary education. This amendment was viewed as a means to provide a limited extension to veterans who, within their original 10-year delimiting period, were unable to effectively utilize their benefits to achieve the education or skills necessary to gain entrance to the workforce.

I believe the eligibility criteria contained in DVB Circular 22-81-15 focus on those veterans who Congress intended to assist; that is, veterans who lack a high school diploma, or the equivalent, and those who are unemployed or underemployed because they do not possess the education or skills that would provide them with an occupation. We do not believe it was the intent of Congress to provide a general extension of the G.I. bill to veterans who do possesses a relatively extensive educational background, or a marketable skill, but who are experiencing employment difficulties that are more closely related to the Nation's economic problems in general than with their military service. I also believe that the criteria do allow for individualized eligibility determinations. Our procedures also require a formal administrative decision for most cases, approved by at least a section chief. We also provide for the determination to be made by a professional psychologist if requested by the veteran. Although our criteria may appear rigid, it is our administrative experience that the more discretion that is permitted in such determinations, the more open we are to charges of arbitrariness and capriciousness.

In considering the limitations of the program, it was determined that training by correspondence should be expressly precluded. This decision was based on the provisions of the Housing and Urban Development and Independent Agencies Appropriations Act which, as you are aware, prevents us from reimbursing veterans who may choose such a mode of training. In addition, courses leading to college degrees

were excluded. This exclusion was derived from the wording in the law, itself, which permits pursuit of "a course with an approved vocational objective" (emphasis added). Courses are approved under title 38, United States Code, as leading to either vocational, professional, or educational objectives and the requirements for approval differ widely according to the objective to which the courses lead. Although many programs leading to associates degrees in the applied sciences or arts are closely identified with certain vocational objectives (e.g., auto mechanic), such courses do not meet the requirements of the law for approval as leading to vocational objectives. Some schools, usually junior or community colleges, do offer certificate courses that lead to approved vocational objectives. Pursuit of "certificate courses" is permitted in such circumstances.

We will be happy to furnish you a summary of the quarterly reports which we receive from our field stations. Unfortunately, the summary for the first quarter (January 1 through March 31, 1982) will not include a breakdown of the average processing time since our stations were not requested to document this information. In view of your request, however, we are requiring that this information be furnished in future reports, and that a listing be made, by name and claim number, of those veterans whose applications ar denied.

I appreciate this opportunity to respond to your concerns in this matter, and look forward to providing you the further information your requested.

Sincerely,

ROBERT P. NIMMO,
Administrator.

STATEMENT OF JAMES SANTINI, MEMBER OF CONGRESS

Mr. Chairman and Members of the Commmittee, I want to express my appreciation for the opportunity to testify here today. As a member of the Vietnam Veterans in Congress Caucus, I take a deep personal interest in Veteran issues under the jurisdiction of your subcommittee. I applaud this subcommittee's dedicated efforts to protect and promote the rights of veterans.

I testify before you today to openly express my outrage at the apparent dilution of certain provisions contained within Public Law 97-72, the Veterans Health Care, Training and Small Business Loan Act of 1981. It has always been my position that the U.S. government must share responsibility for the health and readjustment problems encountered by veterans as a result of their service to this country, particularly in time of war. It disturbs me greatly to hear that the Veterans Administration has been dragging its feet in implementing two key areas of the program; namely, the small business loans and job training program.

The V.A. was to begin offering by May 3rd small-business direct loan assistance and loan guarantees of as much as $200,000 to Vietnam-era and certain service connected disabled veterans. This program, carefully budgeted for $25 million over five years and sunsetted for September 30, 1986, was established to assist those veterans of the business world desiring to acquire, expand, or start a business.

According to the V.A.'s own spokesman, "because the V.A. doesn't have any expertise in the area of small businesses and because the economy is the way it is", the V.A. has neither deemed it prudent to request funds for the program nor has it begun publication of loan regulations to get the program off the ground. These facts are reinforced by the V.A.'s own written statement submitted to this subcommittee.

Despite the numerous excuses offered by the V.A., the truth of the matter is that the Reagan Administration, which disliked the small business program and the entire bill from the outset, failed to submit to Congress a funding request for fiscal year 1982, and no money is expected for fiscal year 1983. This in nothing less than an attempt by Administration to deliberately scuttle legislation passed by Congress!

Mr. Chairman, although fiscal responsibility must continue to be Congress' number one priority, it must not be pursued at the cost of governmental irresponsibility towards thousands of courageous veteran. Our nation's veterans are the men and women who serve and protect this country dutifully in war and peace, but when they leave the armed services, these same men and women contribute greatly to making our nation economically strong. They deserve and rightfully demand an equal opportunity to be successful in their civilian careers.

For the same reasons, it is also vital that the job training programs of Public Law 97-72 be properly administered to benefit substantial numbers of deserving veterans. Presently, the V.A. has severely limited participation in these programs. In the first quarter of this year only 169 out of 2,455 veteran applicants for job training had their claims accepted.

I understand the culprit here has been "over regulation", a monster the Reagan Administration promised to do battle with and conquer. Instead the job training programs, like many other worthwhile programs have succumbed to too many burdensome regulations—this time in the form of a five-inch thick, 2,656 page book!

The V.A.'s own study conducted by the Center for Policy Research concluded that service in Southeast Asia generally had a negative effect on veterans' employment achievement. This is why the 1981 Act provided a two-year extension of the 10-year delimiting date under the G.I. Bill for certain Vietnam Era veterans to utilize on-the-job-training and vocational program. The VA itself estimated on December 29, 1981 that 39,000 veterans would take advantage of this extension.

The V.A.'s eligibility criteria have denied the vast majority of claims, in a time when three-quarters of a million Vietnam era veterans are out-or-work. Only veterans who do not have a high school diploma and those found to "need" training to achieve a suitable occupational or vocational objective are eligible for the two-year extension. All others, regardless of occupation and educational circumstance, are barred from participation.

Veterans from Nevada repeatedly have related to me their keen sense of disappointment when they learned of the the eligibility criteria of the extension. They share to sincere belief that because veteran undergo such physical or psychological damage by the was experience, many were incapable of taking advantage of the benefits within the ten-year limit, and, for most, the two-year extension had been a hollow promise yet to be fulfilled.

In summary I strongly disapprove the V.A.'s actions in the implementation of PL 97-72. I know millions of veterans share my concerns and would join me in extending a special thanks to the subcommittee for holding this Oversight Hearing.

Thank you, Mr. Chairman.

TESTIMONY OF ROGER L. ANDAL

Mr. Chairman, members of the Subcommittee on Education, Training and Employment: I am indeed honored to be asked to testify before this committee concerning Public Law 97-72.

I am Roger Andal from Sioux Falls, South Dakota. I am a 40 percent disabled Vietnam veteran. I was drafted in March of 1969, was trained as a combat medic and served in Vietnam from December 13, 1969, to July, 1970, at which time I was sent home due to disabilities received in combat on April 29, 1970. I have worked for the Veterans Administration and served as national service officer for the Disabled American Veterans. Prior to going into private business, I worked for Congressman Tom Daschle of South Dakota.

The Small Business Loan program that was authorized by Public Law 97-72 has a real need by disabled veterans and veterans of the Vietnan ERA. My testimony comes from my personal experience in obtaining a loan and starting a business in rural South Dakota in 1980-81. I had located a business I wished to purchase and manage in July of 1980. I made the necessary contacts with the owner and a realtor and began setting up the proper paperwork to establish financing.

To this point, I found entering small business an interesting, but extremely challenging process. I eventually ended up asking the Small Business Administration for assistance in an operating loan and some assistance in making a portion of my downpayment. By August, 1980, I had submitted all the proper paperword to the Small Business Administration in Sioux Falls, South Dakota, for their consideration of a loan to a disabled, Vietnam era veteran for operating monies and for partial down-payment monies. At the end of September, the closing date being October 1st, I made some rather frantic calls to the SBA explaining the need to get the paperwork completed for closing. It was then agreed upon by my banker and Small Business Administration that my bank would provide me with an interim loan awaiting SBA paperwork to be completed. I am under the understanding that when the paperwork was completed, I was to receive a ten thousand dollar direct operating loan from the Small Business Administration taken from appropriated money that was designed to help disabled Vietnam veterans getting into business. I was told that this ten thousand dollars amounted to half of the appropriations received by the Sioux Falls SBA Office for that particular quarter. I was also to receive a forty thousand dollar guaranteed loan upon completion of all the required SBA paperwork.

I could elaborate on the extent of time and extent of paperwork that is involved in processing an application by the applicant himself, but this information is easily accessible by merely asking the SBA for a loan application. You will receive a

bundle of paperwork that is somewhat startling to the common person. I say common person because I don't believe it's right that a veteran who has returned home from serving his country and has lost a number of years in time, education, and opportunity, should have to be required to go through the reams of paperwork involved in the SBA in an attempt to receive a guaranteed loan or direct loan from the Government to get into business. It is understood by most individuals within the SBA and those who deal with the SBA that the only way that one is able to access assistance is with an attorney on your right and an accountant on your left. This brings me to the first reason why I believe Public Law 97-72 should receive adequate funding to implement a small business loan program within the Veterans Administration.

The Veterans Administration in its design to help veterans has developed a number of allies in assisting veterans in filing for benefits. A loan program within the Veterans Administration would undoubtedly leave the veteran in a much better situation when it concerns advisors at his disposal than he now receives under the Small Business Administration's loan program for veterans. Major veterans organizations provide assistance to veterans along with the assistance provided by VA employees. The attitude of VA employees and veterans organization representatives is of a high caliber when referring to veterans and veterans' needs. These people have for years worked exclusively with veteran populations. The organizations have developed tremendous resources and tools to assist veterans which are located near VA facilities and would be of the greater value to the veteran with the veterans loan program for small business under the control of the Veterans Administration. Also. it appears from my view that the veterans loan program would be closely scrutinized by the organizations protecting and lobbying for veterans benefits, which would give the Congress of the United States a much closer accounting of monies appropriated to assist veterans in small business ventures.

I would like to elaborate on the need to have veterans programs scrutinized by veterans and veterans organizations by giving another example of my dealings with the SBA. In January of 1981, I had been in business for a little over three months. I had begun to realize a profit and had a gross sales that would exceed $150,000 a year. SBA had not completed or accomplished completion of anyone of the applications that had been submitted by me in request for direct and guaranteed funds. On February 3, 1981, a devastating fire struck my business leaving it totally destroyed and a considerable amount of damage to my house. I had what would be considered fair insurance on the property which was paid shortly after the fire and was available for reinvestment by April, 1981. There were questions raised by the contract for deed holder who felt he was entitled to a portion of the insurance as a portion of his collateral had been destroyed. Small Business Administration wanting very much to be in the number one mortgage position, suggested to me along with my bank and by this time, a hired attorney, that I proceed in paying the contract for deed holder off in full leaving me with a fraction of the money needed to rebuild. I was told that the SBA would receive a larger sum on money for direct loans to individuals in my category and that I should apply for a direct loan to rebuild my business. I agreed to this decision as I knew SBA wanted very much to be in the first mortgage position and I also knew that after it would be completely rebuilt, I would actually owe less money than before the fire even though the interest rate would be 2 percent higher than was on the contract for deed. SBA informed me that their loan rate at that time was 9¼ percent.

I had already completed two complete SBA loan packets prior to the decision to pay off the contract for deed holder. These applications had been submitted in anticipation of this decision. I was told that it would be a 10-day processing time and I would be notified as to their decision on a new loan after the contract for deed holder was paid off. At this time, the President of the United States was about to sign his budget that had been passed by Congress. This budget raised the interest rate from 9¼ percent to 16 percent within the Small Business Administration. This immediately changed the figures and the ultimate plans to rebuild for me.

In this lesson in life, I have lost in the area of $26,000 which is not near as important as the loss of faith that a person developes after dealing for months upon months with a goverment agency that showed in my estimation, a terrible lack of ability, compassion and capability of carrying out its own mission.

Also, I have been forced into bankruptcy, which has left my credit rating in poor shape. I lost all the equity I had accumulated in a house in Sioux Falls, my wife gave up ownership on a prosperous business in Sioux Falls to undergo the business we lost and the result of this has led my marriage into very difficult times after six years of good times. In fact, my wife has filed for a divorce and it now appears to me that our marriage has ended.

Although somewhat simplistic, it would seem that in my experience with the SBA, its existence can be questioned easily when one realizes that the loans they handle can be handled by agencies that deal with the very same segments of society that they were designed to deal with. I say that their existence can be questioned because I don't believe that the SBA is addressing the issues of providing adequate funds to small business adventures who may be disabled, may be a veteran, may be anyone seeking their assistance. The very thing I ran on to, I am sure can be sounded by a nonveteran or by a minority or by many other applicants who have approached the SBA for a loan. I have been told that individuals, one of whom I'm aware of, have spent in the area of $900 to have an accountant and/or attorney complete the initial loan application paperwork for a Small Business Administration loan. When one adds a 1 percent loan origination fee and the required fees that go with government programs such as title searches, appraisals, land surveys and such to the cost of hiring an attorney and an accountant it becomes apparent why more small businesses have not popped up with support of the SBA. They seem to be able to make loans to moderate sized corporations or individuals who are owners of moderate, large sized corporations with relative ease and generally reach into the figures of two and three hundred thousand dollars per loan. It is my feeling that the Small Business Administration has outgrown its name of small and is presently providing far more loans to large businesses than to those small Main Street businesses that I believe were the original intent of the Small Business Administration programs. The Small Business loan program authorized by Public Law 97-72 seems to cover some of these problems in that as I understand the law, it will provide for upstart money in new businesses and will not exceed two hundred thousand dollars per business. I believe this step in a proper step in bringing the objectives of small business support back to the level of the truly needy businessman attempting to operate those small businesses across this country.

It is my observation that a business loan program for service-connected Vietnam veterans within the SBA does not exist. No priority or preference is afforded the disabled Vietnam veteran in the SBA's present program and it would appear that they have had ample time since the end of the Vietnam conflict to correct this situation.

In closing, I wish to say again that the funding of a veterans Small Business loan program within the VA will make the difference for hundreds of deserving Vietnam veterans who have waited years for the opportunity to become a small business owner and operator. It seems only right that these veterans receive the opportunity afforded veterans before them by the business loan program once administered within the VA. I have learned a valuable lesson in life and am now pursuing a law degree with hopes of brighter days.

Thank you again for allowing me the time to address you today.

STATEMENT OF PAUL S. EGAN, DEPUTY DIRECTOR, NATIONAL LEGISLATIVE COMMISSION AND JOHN F. SOMMER, JR., DEPUTY DIRECTOR, NATIONAL VETERANS AFFAIRS AND REHABILITATION COMMISSION, THE AMERICAN LEGION

Mr. Chairman and Members of the Subcommittee, The American Legion appreciates this opportunity to present its views on education, training and rehabilitation programs administered by the Veterans Administration.

Educational and training programs for Vietnam Era veterans were developed by Congress to enhance and make more attractive, service in the Armed Forces of the United States; extend the benefits of higher education to qualified and deserving young persons who might not otherwise be able to afford such an education; provide vocational readjustment and restore lost educational opportunities to those servicemen and women whose careers were interrupted or impeded by reason of active duty; and aid such persons in attaining the vocational and educational status which they might normally have aspired to and attained had they not served their country.

Available statistics illustrate the value of the GI Bill education and training programs, in that over 70 percent of eligible Vietnam Era veterans have had at least some training under the GI Bill programs.

Public Law 96-466, approved October 17, 1980, improved benefits under Chapters 31, 34, 35 and 36 of title 38, United States Code. This was substantial legislation, and overdue in passing.

What the American Legion feels is needed now is legislation be developed on a timely basis, to make these education and training programs responsive to continuing inflationary pressures. Much too long a time was allowed to pass before enact-

ment of PL 96-466. When the education and train allowances are not increased on a timely basis veterans are forced to drop out of their training programs, and oftentimes are not able to achieve their educational goals. This defeats the purpose of the programs.

The American Legion intersely supported the enactment of PL 93-337, which extended the period of time subsequent to a veteran's last discharge or release from active duty that such veteran would be afforded educational assistance under Chapter 34 of the title from eight to ten years. Following the approval of that law and the implementation of the ten-year delimiting period, it became the policy of the Legion to oppose any further general extension of the delimiting date. The reasoning behind the formulation of this policy was that in most cases a ten-year period following active service is a reasonable extension of time to complete a readjustment or rehabilitation program and make a satisfactory and successful readjustment to civilian life.

However, it became more and more evident that some Vietnam veterans, particularly those who had been involved in heavy combat, were experiencing delays or hardships in completing their programs of education or training within the delimiting period, because of mental or physical disabilities. Therefore, we supported the passage of PL 95-202 which granted an extension of the applicable delimiting period for a length of time, determined by the Administrator based upon available evidence, that a veteran with such disability was prevented from initiating or completing a program of education.

During hearings on H.R. 2391 held by this Subcommittee in early 1981, The American Legion expressed its concerns about continuing economic and readjustment problems, and the unemployment of Vietnam Era veterans. During the course of the hearings it was pointed out that at least 500,000 Vietnam and Vietnam Era veterans were unemployed at that time. (The figure is now over 700,000).

It was for that reason, and the fact that employment programs such as HIRE I, HIRE II, and CETA were full of unfulfilled promises and were never responsive to the needs of veterans, that the Legion, although mandated to oppose a general extension of the Chapter 34 delimiting date, did not oppose the targeted extension proposed in H.R. 2391, and which was mandated by the enactment of PL 97-72. But, we are now faced with problems stemming from the VA's perception of exactly what the intent of Congress was in passing this legislation.

We have reviewed the proposed regulations relating to the limited extension of GI Bill eligibility for educationally disadvantaged and unskilled or unemployed Vietnam Era veterans, as contained in the Federal Register of April 20, 1982; as well as DVB Circular 22-81-15. We are concerned that the proposed regulations do not fully address the purpose for which this legislation was enacted.

It is apparent that in the VA's interpretation of the law, a great deal more emphasis has been placed on previously attained training levels and prior work experience than on the employment status of need for additional vocational training of the targeted veterans.

The American Legion is of the opinion that the regulations and guidelines, as currently proposed by the Veterans Administration, are much more restrictive than Congress intended for them to be, and if the eligibility criteria is not broadened to a certain extent, the limited extension of the ten-year delimiting period set forth in PL 97-72 will be of assistance to a minuscule number of unemployed Vietnam veterans.

Relative to this issue, another discomposing matter is what the Legion perceives to be an absence of publicity by the Veterans Administration relating to this benefit. We are making every effort to publicize the availability of the extension in Legion publications. However, it is felt that action should be initiated by VA to inform eligible veterans of this additional period of eligibilty for educational assistance.

PL 96-466, in part, provided for significant changes in the Vocational Rehabilitation program under Chapter 31 of the title, the purpose of which is to provide for all services and assistance necessary to enable veterans with service-connected disabilities to achieve maximum independence in daily living and, to the maximum extent feasible, to become employable and to obtain and maintain suitable employment.

Included in the extensive modification of Chapter 31 are provisions to provide for a 12-year basic period of eligibility; provide for extensions of the basic period of eligibility if it was medically infeasible for the veteran to participate in a rehabilitation program; provide for evaluation services to determine the veteran's potential for rehabilitation, and periodic reevaluations as appropriate; provide for educational, vocational, psychological, employment, and personal adjustment counseling; and provide for the furnishing of certain employment assistance to veterans who have

participated in any vocational rehabilitation program and have been determined to be employable.

In conjunction with the enactment of PL 96-466, the Education and Rehabilitation Service under the VA Department of Veterans Benefits was reorganized into two separate entities, the Education Service and the Vocational Rehabilitation and Counseling Service. The Director of the new VR&C Service was officially appointed on September 12, 1981. Although there are a substantial number of objectives in the new program which will take additional time to accomplish, we feel that significant progress has been made regarding the adoption of procedures for the implementation of the provisions of this law, which has been cited as the "Veterans Rehabilitation and Education Amendments of 1980".

The substantial changes in the program have brought about a need for extensive training of VR&C staff in order to ensure that the practices and methods utilized in the Chapter 31 program are in line with modern concepts in the field of rehabilitation.

The Post-Vietnam Era Veterans' Educational Assistance Program (VEAP) provided under Chapter 32 of the title has not experienced a desirable participation rate since its inception, pursuant to the enactment of PL 95-502. The purpose of this program is to provide educational assistance to those persons who entered the Armed Forces after December 31, 1976; to assist young men and women in obtaining an education they might not otherwise be able to afford; and to promote and assist the all-volunteer military program of the United States by attracting qualified persons to serve in the Armed Forces. To be eligible for training under VEAP, an individual must have served 181 days or more, have been released under conditions other than dishonorable, and have participated in a payroll deduction plan whereby the participant sets aside from $25 to $100 a month to a maximum of $2,700 which the Government will match on a 2 to 1 basis when the person elects to enter training.

The latest available figures show that less than 25 percent of military personnel are participating in the program under Chapter 32, and the disenrollment rate is approximately 40 percent. This low incidence of participation combined with the substantial number of drop-outs would lead us to believe that the VEAP program is doing little to attract individuals into military service, and doing less to keep them there.

The American Legion feels that a noncontributory peacetime GI Bill should be adopted as the best means to attract and retain qualified individuals in the Armed Forces. The Legion strongly supports the provisions contained in H.R. 1400 as a responsible recruitment and retention program. However, we recommend that the Department of Defense be given the responsibility of funding such an education incentive program, leaving administrative accountability to the Veterans Administration.

Mr. Chairman, we will now address, in part, H.R. 5673 which is scheduled for consideration by the Subcommittee, as well as three additional legislative proposals which are of concern to The American Legion.

Since several of the provisions contained in H.R. 5673 are basically technical amendments, we will confine our comments to those sections which call for substantial modification of current law.

Section 101 would amend section 1508(b) of the title by eliminating that portion of the subsistence allowance payable to a veteran pursuing a program of vocational rehabilitation as the result of the veteran's dependency status.

The American Legion is opposed to this proposal, as it would seriously limit the ability of those service-connected disabled veterans training under Chapter 31 to fully participate in a vocational rehabilitation program to which they are justly entitled.

Several sections of this legislative proposal would further limit education payments under Chapters 31, 34, 35 and 36 of the title to incarcerated veterans. Those sections are 101(9), 206(2), and 208. The American Legion has consistently supported the concept of equal benefits for equivalent entitling service as applicable to all veterans honorably discharged from active duty. Therefore, we oppose the provisions of H.R. 5673 which would limit educational payments to incarcerated veterans to the amount necessary for books, supplies, equipment, tuition and fees, regardless of the status or financial circumstances of such veterans.

Section 201 would amend section 242 of title 38, USC, by adding a new subsection stating that the Administrator *may* (emphasis added) establish veterans benefits counselors at locations such as school campuses to provide assistance regarding benefits under the title to veterans and eligible persons and to conduct outreach as provided for under this subchapter.

Section 202 would repeal section 243 of the title. Section 243 currently provides that the Administrator, where needed, *shall* (emphasis added) assign full-time veterans' representatives with appropriate secretarial and clerical support to educational institutions wherein at least 500 persons are enrolled under Chapters 31, 34, 35 and 36 of the title.

The "Vet Rep on Campus" program was Congressionally mandated under provision of section 214 of PL 93-508, enacted on December 3, 1974, although the development of the program commenced prior to that time in response to a Presidential directive.

The American Legion strongly supported the Vet Rep program, as experience had shown that personnel assigned to the campus counseling offices were not qualified to advise veterans on benefits and services available to them under laws administered by the Veterans Administration. Although the number of individuals currently receiving assistance under VA programs has diminished since 1974, we feel that the number is substantial enough to justify the continuation of this program. Therefore, the Legion opposes this provision.

Title III of H.R. 5673 which includes sections 301 through 314, would repeal all authority for individuals under VA education assistance programs to pursue correspondence training.

Recently enacted legislation, PL 97-174, restored funding for training under correspondence courses, although the reimbursement rates were earlier reduced from 70% to 55% of this participant's cost.

Proposals to eliminate correspondence training have been offered as cost-saving legislation by the past several Administrations, and the Legion has consistently voiced opposition to the termination of this program. We strongly believe these programs have been and can continue to be an acceptable and valuable method of readjustment training for veterans, and we would continue to be opposed to their total elimination.

Section 3102(a) of the title currently provides that there shall be no recovery of payments or overpayments or interest thereon of any benefits under any of the laws administered by the Veterans Administration whenever the Administrator determines that recovery would be against equity and good conscience, if an application for relief is made within two years from the date or notification of the indebtedness by the Administrator to the payee. Section 401 of this measure would amend this section by striking out "two years" and inserting in lieu thereof "180 days".

The Legion feels that if a reduction in the period of time during which an application for relief may be made is necessary that one year would be a more equitable solution than 180 days.

Mr. Chairman, the remaining three legislative proposals mentioned previously are not scheduled for your consideration at this time. However, with your permission we would like to address briefly the provisions of each of the measures that are of concern to The American Legion.

H.R. 5875 would terminate the authority of the Veterans Administration to make advance payments of educational and subsistence allowances. The Legion has consistently advocated the advance payment program, in order to ensure that where necessary, Vietnam veterans would be able to secure the funds needed for them to continue their program of education or training at an approved educational institution. We feel that the termination of this program would force many of these veterans to discontinue their training as the result of a lack of funds.

H.R. 5876 would terminate the work-study program for veterans who are purusing programs of education or training under Chapter 34 of the title.

The Legion views the work-study program as being beneficial to both the veteran student and the VA. A veteran involved in the program has the opportunity to supplement the educational assistance payable under Chapter 34, and at the same time complete work that would otherwise be accomplished by a full-time VA employee. We are also aware of instances where veterans involved in the work-study program have subsequently become productive and dedicated employees of the VA.

H.R. 5877 would require that persons enrolled in a course of instruction under Chapters 34 or 35 certify on a monthly basis that they are currently enrolled and are making satisfactory progress in their programs of study.

In our opinion, monthly certification of the students receiving benefits under Chapters 34 and 35 would create an unmanageable backlog of paperwork within the VA Regional Offices, as well as increasing the amount of time necessary to process certifications. We do not see how this would lead to any appreciable cost savings.

For the foregoing reasons, The American Legion would oppose the enactment of these bills.

Mr. Chairman, that concludes our statement, and we again thank you for the opportunity to present the views of this organization.

STATEMENT OF PHILIP R. MAYO, SPECIAL ASSISTANT, NATIONAL LEGISLATIVE SERVICE, VETERANS OF FOREIGN WARS OF THE UNITED STATES

Mr. Chairman and members of the Subcommittee, on behalf of the more that 1.9 million members of the veterans of Foreign Wars of the United States, I would like to thank you for the opportunity to present our views relative to oversight of and certain legislation affecting education, training and rehabilitation programs of the Veterans Administration.

Mr. Chairman, the VFW would like to commend the efforts of this Subcommittee in securing the passage last session of this Congress what is now Public Law 97-72. As you know, provisions of that law address on-the-job training and small business loans, programs that might directly impact upon the employment or employability of a number of veterans.

It should be noted, however, that the on-the-job training benefits were to become effective January 1 of this year; that the business loan provisions would become effective on May 3 of this year. It should be further noted that regulations concerning on-the-job training were published in the *Federal Register* on March 11, 1982, with the deadline for public comment April 12, 1982; that no regulations relative to the small business loan provisions have been promulgated thus far.

In conjuction with the above, Mr. Chairman, it is well established that Vietnam veterans are enduring higher unemployment and underemployment rates than their nonveteran peers. Amplifying this is the experience reported through outreach centers that employment related problems are the primary concern of Vietnam veterans.

In view of the above, it would appear reasonable and prudent that legislation enacted into law addressing these issues might receive more that cursory attention from the VA, the agency responsible for carrying out the provisions of the law. Instead, more than four months of eligibility time elapsed before regulations governing the mechanics of the on-the-job training programs were implemented, and it now appears that these regulations are so restrictive that most veterans applying for the benefits are not eligible for tham. The best information available to us indicates that our of nearly 2,500 applicants, less than 170 veterans have been granted benefits.

In addition, the VA has not sought funding for the business loan provisions of Public Law 97-72. Public statements from that agency have indicated that now is not the time to implement such legislation, given the adverse economic conditions the nation is currently experiencing. It has also been pointed out in those statements that the VA does not have in its employ those of sufficient expertise to manage such an undertaking.

Mr. Chairman, we submit that this is a "head-in-the-sand" approach to implementing these programs. We are grateful that such pronouncements and actions have not been duplicated by the educational and vocational institutions as well as the banking communities in our nation. Certainly most educational institutions would find admission figures such as those above abhorrent; bankers do not stop making loans if they experience a loss on a loan. Has the VA ceased the granting of home loans for similar reasons?

Mr. Chairman, if the language or intent of the current law is unclear or too restrictive to permit the VA to be more understanding in appropriately fulfilling what we view as the intent of Congress with respect to on-the-job training, we would suggest the VA work with the Congress to produce the language in the law that will accommodate the wishes of Congress.

We believe the expertise necessary to manage a loan and guaranteed loan program presently exists within the banking community and within the government. Bankers have been involved in the mechanics of such loans for many eyars, and the Veterans Administration conducted a successful small business loan program for 30 (thirty) years. We believe the expertise to run such a program is still well within the VA's capabilities.

Mr. Chairman, the delegates to our most recent National Convention, held in Philadelphia, Pennsylvania last August, clearly expressed their veiws with regard to the Vietnam-era educational and training programs administered by the VA in adopting Resolution No. 782, entitled "Vietnam Era G.I. Bill Educational Benefits", a copy of which is attached. That resolution proposes extending entitlement thereunder to 48 minths, increasing benefits according to increases in the consumer price

index, and by removing the delimiting date therefrom. We continue to consider these an appropriate response to the needs of Vietnam veterans, for it is common knowledge that educational costs have substantially increased and federal funds for student aid have diminished. It is noted that four years have elapsed since the last increase in those benefits occurred.

It is in the context of the foregoing, Mr. Chairman, that we wish to review the provisions of H.R. 5673, introduced by the Chairman of the full committee, the Honorable G. V. Montgomery, at the request of the VA.

Mr. Chairman, Title I of that legislation would eliminate the dependents allowance for those utilizing their rehabilitation (Chapter 31) benefits. In addition, it provides that no benefits will be paid under that chapter to those incarcerated due to a felony conviction. We have no objection to the latter inasmuch as it is consistent with other provisions of Title 38, so long as "incarcerated" does not preclude veterans on work-release or half-way house programs from receipt of such benefits. We do find it curious and insensitive, however, that the elimination of educational dependency benefits would be proposed first for service connected disabled veterans and not for their non-service connected peers, and we commend all the members of the Veterans' Affairs Committee for rejecting this proposal in the Committee's report to the Budget Committee. We oppose the enactment of this provision; it is inconsistent with benefits afforded veterans of previous wars and discriminates against service connected veterans.

Title II of the bill would eliminate Veterans Representatives (Section 243, Title 38) and replace such with "veterans benefit counselors" to fulfill a similar role. We would not object to this provision if such conselors are veterans and this provision is not used as a tool to eliminate or substantially reduce the availability of counseling.

Another section of Title II would eliminate educational subsistance payments, with certain exceptions, for incarcerated veterans, and our views are the same in this instance as they are with respect to Chapter 31 payments.

Title II would also strengthen current reporting, recordkeeping, and course requirements of educational institutions by providing for the suspension of benefit payments to veterans where corrective action is not implemented within a reasonable time period by the institution. This provision requires that both the institution and veteran receive timely notification of such circumstances. We have no objection to this provision.

Another section of Title II of the bill would eliminate the "50 percent rule" requiring reports from institutions and/or veterans on the success rate of those taught in vocational courses in gaining employment connected with their studies. Substitute language would require that the course provide specialized training within a specific vocational field, eliminating reporting as presently required. Mr. Chairman, we support this provision inasmuch as the current language in Title 38 is unequal in its treatment of vocational courses as compared to undergraduate and graduate courses. An English major may not obtain employment in the field of English and this does not reflect adversely on the institution or the veteran; the reverse may be true under vocational courses under the provisions of current law.

Mr. Chairman, Title III of the bill would repeal the authority to pursue correspondence training. Again, Mr. Chairman, we oppose this provision inasmuch as it would discriminate against all eligible veterans, especially those who may be housebound and disabled, and is inconsistent with benefits afforded veterans of previous wars.

Title IV of the bill provides for a reduction in the time period required for a veteran to make a request for a waiver for relief from a recovery of claims by the United States from 2 years to 180 days. We have no objection to the passage thereof.

Mr. Chairman, this concludes my testimony. I would like to thank this Subcommittee again for its continuing interest in maintaining and improving the benefits afforded veterans. I would be happy to respond to questions you may have at this time.

(Resolution No. 782)

VIETNAM-ERA G.I. BILL EDUCATIONAL BENEFITS

Whereas our great organization recognized that each generation of veterans has needs different from those of earlier eras; and

Whereas the Vietnam war took place during a period of vast changes stemming in part from the complexities of new technology that have created a highly industrial, urbanized society; and

Whereas since the last increase in educational benefits in 1977, we have witnessed a double-digit inflation rate where the costs of education have exceeded the rate of inflation; and

Whereas the returns from such programs have far exceeded the Federal investment therein; and

Whereas many Vietnam veterans, for a number of reasons, have not had the opportunity to avail themselves of these benefits: Now, therefore be it

Resolved by the 82nd National Convention of the Veterans of Foreign Wars of the United States, That we seek the passage of legislation to amend the Vietnam-Era Education and Training Act which would (1) extend entitlement thereunder from 45 to 48 months; (2) secure an increase in benefit levels at least comparable to the increase in the Consumer Price Index; and (3) remove the delimiting date on eligibility for such benefits.

Adopted by the 82nd National Convention of the Veterans of Foreign Wars of the United States held in Philadelphia, Pennsylvania, August 14–20, 1981.

STATEMENT OF STEPHEN L. EDMISTON, ASSOCIATE DEPUTY, NATIONAL LEGISLATIVE DIRECTOR, DISABLED AMERICAN VETERANS

Mr. Chairman and members of the subcommittee, it is indeed a pleasure to again appear before this distinguished Subcommittee on behalf of the more than 719,000 members of the Disabled American Veterans.

The DAV applauds you, Mr. Chairman, and the members of the Subcommittee for the timeliness of today's hearing to review the Veterans Administration's Educational, Training and Rehabilitation Programs.

Additionally, your letter of invitation requested we present our views on an Administration sponsored bill (H.R. 5673) designed to make certain changes in some VA educational programs.

As you know, the DAV membership is composed of honorably discharged veterans who were wounded, injured or otherwise disabled in the wartime service of their country. Therefore, it follows that our organization is primarily concerned with veterans' educational benefits provided by the Vocational Rehabilitation Program under Chapter 31 and the Survivors and Dependents Educational Assistance Program provided under Chapter 35 of Title 38, United States Code.

Though our organization was founded on the principle that, in terms of veterans' benefits and services, this nation's first obligation rests with the rehabilitation of its service-connected wartime disabled, the DAV is also concerned with those federal programs which have deen designed to enhance the educational opportunities of veterans in general.

CHAPTER 31—TRAINING AND REHABILITATION FOR VETERANS WITH SERVICE-CONNECTED DISABILITIES

As you know, through your efforts and the efforts of this Subcommittee, after more than 35 years the VA's Chapter 31 Vocational Rehabilitation Program for service-connected disabled veterans was updated by the enactment of Public Law 96–466—the Veterans Rehabilitation Education Amendments of 1980.

Passage of this legislation finally brought about significant improvements in the Vocational Rehabilitation Program through the use of current concepts and knowledge available in the field of rehabilitation for the disabled and handicapped.

It is our belief, Mr. Chairman, that this legislation went a long way toward guaranteeing the continued success of the program for service-connected disabled veterans, and for this the DAV is most grateful.

Since the program improvements have only been in place for less than a year and a half, we believe it is somewhat premature to make any final judgment with respect to the VA's handling of the program.

We have, however, been informed by many of our National Service Officers in the field that most VA vocational rehabilitation personnel have vigorously moved forward to fully utilize and implement the program improvements provided by Public Law 96–466.

There is, however, an area in which the DAV does have some concern. Specifically, Section 1503, Title 38, United States Code, provides that entitlement to vocational rehabilitation, except for seriously disabled service-connected veterans, shall terminate after 12 years following the veteran's discharge or release from active military service.

The DAV strongly believes that Section 1503 should be amended to eliminate the delimiting date for entitlement to vocational rehabilitation for all compensably dis-

abled service-connected veterans. It is our view, Mr. Chairman, that the adverse affects of any service-connected disability upon a veteran's ability to obtain and/or maintain gainful employment often continue to exist, recur or acerbate subsequent to the 12 year eligibility period.

We therefore urge this Subcommittee to give serious consideration to eliminating the delimiting date for eligibility to benefits under the VA's program of vocational rehabilitation for service-connected disabled veterans.

CHAPTER 35—SURVIVORS AND DEPENDENTS EDUCATIONAL ASSISTANCE

A program created by the Congress ". . . for the purpose of providing opportunities for education to children whose education would otherwise be impeded or interrupted by reason of the disability or death of a parent from a disease or injury incurred or aggravated in the Armed Forces . . ." and ". . . to the surviving spouses of veterans who died of service-connected disabilities and to spouses of veterans with a service-connected total disability permanent in nature is for the purpose of assisting them in preparing to support themselves and their families at a standard of living level which the veteran . . . could have expected to provide. . . ."

Mr. Chairman, the Survivors and Dependents Educational Assistance Program has served well to fill the financial void created by a total and permanent service-connected disability or service-connected death of a veteran.

This education program, like all the educational programs administered by the VA, has more than paid for itself, in terms of the increased tax return beneficiaries of the program have paid as a result of better employment gained through educational opportunities provided by the program.

There are, however, two areas in which the DAV believes the program can be improved and expanded by legislative action of this subcommittee.

First, current law provides that use of Chapter 35 benefits must be accomplished within the ten year period beginning either from the date a veteran is evaluated by the VA as permanently and totally disabled from service-connected disabilities or ten years from the date of a veteran's death due to service-connected disability.

Quite frankly, in many instances, because of family obligations or the need to provide care to the veteran, spouses or surviving spouses have not had a reasonable opportunity to utilize these educational benefits.

Therefore, Mr. Chairman, the DAV requests this Subcommittee give serious consideration to eliminating the delimiting date for eligible spouses and surviving spouses for purposes of benefits provided under Chapter 35, Title 38, United States Code.

The second area in which we believe this program can be improved and expanded is by extending these educational benefits to the dependents of service-connected veterans rated 80 or 90% disabled.

There is no doubt many dependents of service-connected veterans rated 80 and 90 percent disabled cannot afford to attend an institution of higher learning due to the reduced earning ability caused by the veteran's service-connected disability.

It is our firm belief that such a liberalization of current law is in keeping with the program's original intent—"For the purpose of aiding such children in atttaining the educational status which they might normally have aspired to and obtained but for the disability (of the veteran)."

Therefore, Mr. Chairman, the DAV would be most grateful if this Subcommittee would extend favorable consideration to amending Chapter 35, Title 38, United States Code for the purpose of providing educational assistance to the dependents of veterans who have a service-connected disability rated 80 percent or more disabling.

H.R. 5673

A bill, introduced by the Chairman of the full Committee at the request of the Administration, proposes—"to amend Title 38, United States Code, to make adjustments and improvements in the Vocational Rehabilitation and Education Programs administered by the Veterans Administration, and for other purposes."

Title I of the bill proposes, through appropriate amendment to Section 1508, 38 USC, to eliminate that portion of an eligible service-connected veteran's subsistence allowance paid on the basis of his/her dependents.

Mr. Chairman, the DAV is adamantly opposed to this provision, as well as, all the amendments that would be made by Title I of the bill.

This provision of the bill would terminate the dependency allowance portion of the subsistence allowance paid to every service-connected disabled veteran in training under the VA's Vocational Rehabilitation Program. Ironically, the majority of

the service-connected veterans in training under this program are Vietnam veterans.

I would have to ask, Mr. Chairman,—Is this the Administration's idea of dealing fairly with those veterans disabled during America's most controversial war? Or is this just another attempt by the Administration to balance the federal budget on the backs of service-connected disabled veterans?

This proposal, together with another Administration proposal to terminate dependency allowances for service-connected veterans rated 30 and 40% disabled, would have a catastrophic affect on these individuals.

For example, a 40% veteran (below the knee amputee) with a spouse and two children who is attending school, would stand to lose 30% of the VA payments currently provided, and 34% in overall payments if the veteran has a spouse and three children.

Mr. Chairman, the DAV strongly urges this Subcommittee to totally reject Title I of H.R. 5673.

Title II of the bill proposes a number of technical amendments and Title III propose to repeal the authority for all eligible beneficiaries of VA educational programs to pursue correspondence training programs.

While the DAV has no official position on Titles II and III of the bill, we must express our concern in repealing correspondence programs for service-connected disabled veterans in training under Chapter 31.

We must question the wisdom of taking away this potential avenue of training for service-connected disabled veterans.

Certainly there are seriously disabled veterans who have benefited from correspondence training programs because their service-connected disabilities precluded regular institutional training.

We believe the current Vocational Rehabilitation Program contains sufficient safeguards so as to insure that the mode of training designed for a service-connected veteran will be the one that best serves his/her individual needs.

The DAV strongly urges this Subcommittee to give serious consideration to our view on correspondence training for service-connected disabled veteran.

PUBLIC LAW 97-72—THE VETERANS HEALTH CARE, TRAINING AND SMALL BUSINESS LOAN ACT OF 1981

Mr. Chairman, because of the oversight nature of today's hearing I would also like to comment on two important employment and business initiatives that are embodied within the provisions of Public Law 97-72.

As you well know, due to your leadership, Mr. Chairman, and the leadership of this Subcommittee, landmark legislation was enacted last year for the benefit of service-connected disabled veterans and veterans of the Vietnam Era—the Veterans Health Care, Training and Small Business Loan Act of 1981.

This new law provided a two year targeted extension of the ten year delimiting period for certain Vietnam Era veterans to utilize VA on-the-job and vocational training programs. The law also authorized a new small business loan program within the VA to provide loans of up to $200,000 for eligible Vietnam Era and disabled veterans.

It appears that the VA, as you, Mr. Chairman, recently articulated, has practically over-regulated out of existence the two year extension of job training benefits for Vietnam Era veterans.

This is particularly appalling in a period when more than 750,000 Vietnam Era veterans are out of work and their rate of unemployment exceeds that of their non-veteran peers by 14%.

We urge you, Mr. Chairman, and the members of this Subcommittee to take appropriate steps to insure the VA complies with the intent of Congress with respect to the two year extension of job training benefits for Vietnam Era veterans, as set forth in Public Law 97-72.

The five year small business loan program established by Public Law 97-72 for eligible Vietnam Era and disabled veterans to date has not been funded, nor has the Administration promulgated regulations as required by law to implement the new program.

This action by the present Adminstration brings back memories of a previous Administration which, like the present Administration, had an apparent disregard for the law and an unsympathetic attitude toward providing veterans small business loans.

As we all know well, Mr. Chairman, Public Law 93-237, signed January 2, 1974, amended the Small Business Act and, among other things, required the Small Busi-

ness Administration to give "special consideration to veterans of the Armed Forces of the United States and their survivors and dependents." It was almost two years later—on December 8, 1975, that SBA issued final regulations to implement this section of Public Law 93-237.

That certainly was an indicator of the level of commitment (or the lack thereof) on the part of SBA officials at that time and, in our opinion, this bureaucratic paralysis has carried over into the present Administration.

Despite the fact that the regulations became final in 1975, substantive actions by SBA to comply with these regulations began just last month.

Even though SBA is apparently about to embark upon a program to finally fulfill the requirements of Public Law 93-237, the DAV remains unconvinced regarding the sincerity of their actions almost eight years after the fact.

Quite frankly, what are Vietnam Era veterans and veterans who are 30 percent or more disabled to believe when it takes almost eight years for the Small Business Administration to comply with the law and the Administration refuses to request funds in order to provide small business loans to veterans?

These actions by the Administration, Mr. Chairman, serve only to foster the belief that the Administration remains unsympathetic to Vietnam and service-connected disabled veterans.

Undoubtedly, we do not put much credence in the recent actions by the Small Business Administration. Therefore, we offer the following alternative in order to fund the Small Business Administration. Therefore, we offer the following alternative in order to fund the Small Business Loan Program created by Public Law 97-72.

As you know, Mr. Chairman, the House Veterans Affairs Committee has recommended to the Budget Committee the enactment of legislation which would assess a .05 percent fee on certain new home loans guaranteed by the Veterans Administration. By providing a full exemption from the fee for all service-connected disabled veterans, the proposal would save—in terms of receipts to the federal government—$89.7 million. In addition, the Committee's recommendation would make these receipts available to the Veterans Administration's Home Loan Guaranty Program.

According to VA testimony before the Veterans Affairs Committees, the present operating costs of the Loan Guaranty Program are approximately $48 million annually. If the House Veterans Affairs Committee "user's fee" recommendation is enacted, the VA is projected to collect $41.7 million more than is needed to administer the VA Home Loan Guaranty Program.

Mr. Chairman, we suggest utilizing these excess funds to initiate and administer the small business loan provisions contained in Section 302 of Public Law 97-72.

Accordingly, when the House Veterans Affairs Committee reports legislation establishing a "user's fee" on the Home Loan Guaranty Program, we respectfully request that appropriate action be taken in include, as part of the measure, provisions that would give to the Small Business Loan Program excess "user's fee" funds collected which are not needed to operate the VA Home Loan Guaranty Program.

This concludes my statement, Mr. Chairman. I wish to thank you and the members of this Subcommittee for allowing the DAV this opportunity to present our views on these most important subjects.

STATEMENT OF JOHN F. TERZANO, VIETNAM VETERANS OF AMERICA

Dear Mr. Chairman, I am honored to be here today to testify before the Subcommittee on Education, Training and Employment.

But, I would not be honest, Mr. Chairman, if I did not say that I am somewhat dismayed at having to be here today. For, we are not here to talk about new ideas or new programs. Nor are we here to discuss proposed legislation. We are here to discuss old legislation—legislation that was signed into law on November 3, 1981 by President Reagan.

Our talks are not centered around how well the programs are doing. Rather, they center around the total disregard an agency and an administration have—not only for this Committee, but for the whole Congress as well. For, once again, the Veterans Administration is the obstacle in allowing Vietnam veterans to receive their just due.

And, how has the VA become the barrier again? Very simply, they have refused outright to promulgate regulations on the Small Business Loan Program. And, they have virtually barred the majority of Vietnam veterans who would have benefited from a delimitation date extension, by promulgating regulations that totally misconstrue not only the clear intent of Congress, but also its overwhelming mandate.

SMALL BUSINESS LOAN PROGRAM

Congress authorized the Veterans Administration to institute a small business loan program. The program would only cost $25 million over its five-year life span. In addition, Congress authorized $750,000 ". . . for fiscal year 1982 through 1986 for use by the Administrator of Veterans' Affairs for expenses incidental to the establishment of the Small Business Loan Program."

As you know, Mr. Chairman, three-fourths of a million dollars was appropriated so that the VA would not have to take money from other worthwhile programs. At least to me and my organization, Congress' intent is perfectly clear. It has mandated the VA to establish this program at no cost to the VA. But, the VA and the Reagan Administration have totally disregarded the Congress by not moving forward with the program.

TARGETED DELIMITATION DATE EXTENSION

While not a panacea for the various employment problems of Vietnam veterans, Title II of PL 97-72 did provide a reasonable targeted approach to a very difficult problem. But more importantly, the approach contained in PL 97-72 was targeted specifically to those individuals who are either chonically unemployed or underemployed. But, the VA in its infinite wisdom, as you, Mr. Chairman, will hear today, doesn't believe you intended to help those people. In fact, I would suspect that the VA will probably lecture you on what you, the Committee, really meant.

On March 18, 1982 Senator Cranston wrote VA Administrator Robert Nimmo a letter regarding certain provisions of DVB Circular 22-81-15. In that letter, Senator Cranston stated, ". . . I believe the manner in which the VA is implementing this provision is inconsistent with the congressional intent underlying the provision as evidenced by its legislative history, and represents what will be perceived as a broken promise of assistance to many Vietnam veterans . . ."

Senator Cranston went on to clearly identify the differences between the actual regulations and what Congress intended.

What was Mr. Nimmo's response: "I believe the eligibility criteria contained in DUB Circular 22-81-15 focuses on those veterans who Congress intended to assist . . ."

I am sure you realize, Mr. Chairman, how ludicrous that sounds. Here we have the Administrator of the Veterans Administration telling one of the sponsors of this provision what he really meant when he drafted and help pass the legislation.

The VA has established eligibility criteria that would deny eligibility to:

Anyone who holds a two-year college degree or has completed more than 60 hours of college-level courses;

Anyone who has ever held or qualified for more than an entry-level job; or

Anyone who has ever held a job requiring more than three months of vocational preparation.

By applying this criteria, the VA has effectively barred the overwhelming majority of individuals who would use the program. In addition, the VA does not take into account the individual's employment history. That is: Is he currently employed, or underemployed, or unable to obtain employment? It is very clear in the Senate debate on the issue that individual eligibility determinations should be allowed and that Vet Center personnel should be able to make recommendations regarding a person's eligibility. But, the VA won't allow comments by those individuals who have developed expertise through dealing on a daily basis with those who need the program the most. Instead, Mr. Nimmo states that individual determinations can be made by a "professional psychologist" if requested by the veteran. That statement, Mr. Chairman, totally ignores not only the historical resistance by Vietnam veterans to involve themselves with "professional psychologists" within the agency, but more importantly, I feel it denigrates the Vet Centers and their personnel.

Mr. Chairman, this committee knows better than I the inconsistancies between the congressional intent of PL 97-72 and the VA's interpretation. And, the argument over who is right could last for hours. Congress could pass additional legislation, but unless the Congress and the veterans organizations are able to change the VA's mindset, all the time, effort, and money spent to enact new legislation is all for naught.

In closing, Mr. Chairman, I think given the track record of the VA with regard to PL 97-72, it would behoove this Committee to look into the other provisions of the bill—specifically Title I, Section 102, Health Care for those individuals who may be exhibiting problems as a result of exposure to Agent Orange or nuclear radiation to

determine how accurately the VA is interpreting congressional intent in those areas.

Testimony Submitted by John F. Thompson, President, McGraw-Hill Continuing Education Center

Statement in Behalf of the National Home Study Council

I am John F. Thompson, President of McGraw-Hill Continuing Education Center of Washington, D.C. I am the Vice Chairman of the Accrediting Commission of the National Home Study Council (NHSC). I have also served as the NHSC President. In July I will complete my twenty-sixth year of service in home study education.

Before final action is taken on correspondence study in the G.I. Bill, I urge that careful consideration be given to this statement and to the distinguished record home study schools have achieved in helping veterans and active duty service personnel.

THE ROLE OF THE NATIONAL HOME STUDY COUNCIL

The National Home Study Council, founded in 1926 under the cooperative leadership of the Carnegie Corporation of New York and the National Better Business Bureau, is a nonprofit educational association of more than 90 accredited home study schools. Although the NHSC is nationally known and its Accrediting Commission is nationally recognized, it is relatively small when compared to most other educational associations. NHSC schools are located in 23 states and the District of Columbia. The association is financed entirely by dues paid by members. While the Council is a nonprofit association, it receives no financial assistance of any kind from the government.

The independent nine-member Accrediting Commission of the National Home Study Council was established in 1955; shortly thereafter, it gained the approval of the U.S. Department of Education as the "nationally recognized accrediting agency" for home study schools. The Accrediting Commission includes five public members (representatives from the fields of industry, postsecondary education, business, government, and counseling) and four members from the field of home study education.

WHAT IS HOME STUDY?

I submit this statement with the conviction that home study has really helped veterans. Home study is an educational method that is well understood by veterans and the "man on the street," but too often misunderstood by others. It is an unusual combination of educational product and service that is used by people to fill their educational needs. Home study is used in many ways, but primarily it is the kind of education that appeals to people who cannot or will not take advantage of more conventional educational methods.

Today, more than three million Americans are enrolled in home study courses. It is estimated that since 1900 some 50 million Americans have taken home study courses.

NHSC schools offer more than 500 different academic and vocational courses, such as: accounting, appliance repair, automotive mechanics, business administration, electronics, hotel-motel management, microcomputers, locksmithing, surveying, and hundreds more. Some unique courses are not offered in resident schools. All of these courses make use of specifically written texts and quite often include recordings, sample materials, and practical "hands on" training. Course lengths range from one to four years. The vast majority of schools enroll and teach students entirely through the mail.

Over the years, home study schools can point to a solid record of achievement in providing valuable service to the nation and to many veterans who, without the benefits of home study, would surely have been denied an opportunity for education or training. Since the founding of the first private home study school in 1890, these schools have continued to meet a need not met by traditional education.

More importantly, we should realize if we are to attract highly qualified men and women into the military today—and keep them in the service—home study training should certainly be one benefit that is offered to them. Why? Because, as the data shows, home study is a top choice of active duty service personnel.

Home study has been an ideal educational alternative for service people and veterans, including:

The homebound individual—who, because of society's barriers, lack of transportation, or a handicap, cannot take advangage of local educational resources. Students may be in hospitals or prisons—but they can continue their education, nonetheless.

The geographically isolated—the individual whose primary source of educational opportunity may well be the school that uses the postal system. Tens of thousands of active duty service personnel over the years have fit this classification.

The busy adult—NHSC surveys reveal that the typical home study student is in his or her mid-thirties, beyond the age when most of us receive our formal schooling. Many returning veterans, unable to devote their time to classroom study, opted to study by mail while they struggled to get reestablished in society, start a family, and earn a modest living. Faced with these time and financial constraints, these veterans found that home study offered them the best means to gain—or update—a marketable civilian skill.

HOME STUDY AND THE VETERAN

For the veteran or active duty service person, home study has long been an accepted way of acquiring a career skill in a convenient, effective manner.

During the late 1960's and early 1970's, over one-third of all active duty service people who took advantage of their G.I. Bill benefits used their benefits to enroll with a correspondence school. The barriers of time and space did not prevent these people from preparing to make a smooth reentry into the peacetime workplace. Home study was there to help them. And it did!

In fact, a publication entitled "Veterans Benefits Under Current Education Programs (IB 04-77-1)," published by the Veterans Administration, reported the following:

More than 1.1 million veterans and service personnel have studied correspondence courses during the period 1966–1976. This represents 17.8 percent of the total of all G.I. Bill students enrolling in all types of schools.

More than 33 percent (or 240,198) of the service personnel on active duty using G.I. Bill benefits enrolled in correspondence schools.

The report states: "Almost all correspondence training has been taken at schools other than colleges." In fact, 99.2 percent of the students studied with private home study schools . . . the vast majority of them with NHSC schools.

For peacetime post-Korean veterans, more than 23 percent (or 324,510) of the students elected to study by correspondence. Stated the Veterans Administration:

"The relatively high incidence of correspondence training among trainees who are peacetime post-Korean conflict veterans probably reflects the fact that for many of these older, more established veterans, correspondence is the only type of training flexible enough to fit their more rigid family and job requirements."

In the 1980's, we face a new challenge as a nation: preserving our liberty by maintaining a strong defense posture. The key asset to a strong military is a cadre of educated, talented people. And if we ever hope to get the best qualified people into our military—and keep them there—home study training must be offered as a benefit.

THE ADVANTAGES OF HOME STUDY

One of the central advantages of the home study method has been its flexibility. In a 1976 Veterans Administration report, Senate Committee Print No. 49 (94th Congress), entitled "Training by Correspondence Under the G.I. Bill," it was stated:

"Correspondence training has a much lower than average cost than other types of training. And correspondence training is convenient. Potential trainees who would have to give up their job or suffer some other inconvenience to take other types of training can often use their spare time to take correspondence training, as can many service personnel whose duties preclude other types of training. In addition, correspondence training has the attribute of less foregone earnings than other types of training because it can be taken in the trainee's spare time. It, therefore, requires no living expense subsidy in addition to tuition."

Other factors explaining the popularity of home study include:

1. Home study is one of the lowest cost types of education. In a 1976 National Center for Education Statistics Report, "Learning a Skill Through Correspondence," it was stated:

"Correspondence programs cost less, on the average, than those taken in resident schools. In 1976, the average charge for all correspondence programs was $698 and $1,693 for non-correspondence programs."

A similar 1978 study by NCES affirms this wide gap.

2. G.I. Bill benefits paid by the government reflect this cost disparity between home study programs and those offered by resident schools. For example, when monthly stipends for resident programs are taken into account, monthly benefits for a one-year electronics program run up a large tab for resident programs, as shown below:

Electronics Technology Course (Veteran With 3 Dependents)

Home Study.—55 percent by $1,200 tuition equals $660, paid by government.
Resident (full-time).—12 months by $493 equals $4,056 costs paid by government.

It's simple arithmetic. The Federal Government would save $3,396 on just this one typical case.

3. Home study is a valid educational alternative. More than two dozen research studies over the past 50 years have clearly indicated that ". . . *correspondence students perform just as well as, and in some cases better than, their classroom counterparts.*"

(Source: "Correspondence Study: A Summary Review of the Research and Development Literature" by David E. Mathieson, 1970.)

4. The single largest supplier of home study in the world is the U.S. military. To active duty personnel, home study training is an integral part of every career person's training portfolio. For example, the Extension Course Institute of the U.S. Air Force enrolls over 300,000 students. The Marine Corps Institute enrolls some 100,000 students. The U.S. Army enrolls over 280,000 students and has over 2,000 courses. Other service correspondence schools include the U.S. Navy and the U.S. Coast Guard. Most of these schools have been operating for 50 years or more.

The Air Force, Army, and Marine Corps correspondence schools are all accredited by the Accrediting Commission of the National Home Study Council. The military has identified correspondence study as one of the most cost effective training methods available.

5. The Federal Government is the single largest supplier and user of correspondence instruction in the United States. In 1973, nearly 2 million students, or almost 50 percent of the home study student body in America, were enrolled in government agency correspondence schools.

Federal agencies with correspondence schools include the Federal Aviation Administration, the U.S. Department of Agriculture, the Department of Transportation, the U.S. Postal Service, and the Office of Personnel Management, to name a few.

The government has found home study to be a flexible, effective teaching method that has proved to be both economical and "controllable" in terms of educational content and level of educational quality.

6. In a 1976 Stanford University research project entitled "Home Based Education," funded by the National Institute of Education, the following major conclusions were reached:

The "large numbers" of students taking the wide variety of courses by correspondence "provide adequate testimony to the need for home-based (correspondence) education."

Correspondence instruction is relatively inexpensive and "it will continue to have a robust future for the rest of this century."

BUDGET CONSIDERATIONS

The Administration and Congress are laudably seeking ways to cut the budget in an equitable fashion. But should correspondence training be a part of these budget cuts?

We believe the answer is "NO!" To summarize our position, we submit that correspondence study is:

The least expensive method for job training requiring the least expenditure of funds.

One of the most popular forms of education among active duty personnel generally and, hence, a powerful inducement for enlistment and retention.

A highly cost effective way of providing useful, critical skills to veterans—as demonstrated by the extensive use of home study by the military.

Able to train thousands of veterans outside the classroom walls, at a cost savings not only to the trainee, but to the Federal Government as well.

A method of education that prevents the cost overruns seen in resident institutions because home study students are paid only *after* their lessons are completed.

A January 1982 study by the Navy Personnel Research and Development Center, San Diego, California, entitled "A Survey of Correspondence Course Training," reported:

"A study at the center for Naval Analysis (Warner & Waterman, 1977) indicates about 70 percent of Navy resident training costs are for pay and travel of instructors and students. Correspondence course systems avoid these costs and the costs of acquiring and maintaining schools and quarters for students and instructors."

The study concludes:

"Based on the available data, it is reasonable to infer the cost of correspondence course systems is 10% to 25% of the cost of resident schools."

PRESERVE HOME STUDY FOR A STRONG AMERICA

We submit that home study schools have done the nation a service by providing high-quality career vocational training to over one million veterans. If anything, home study should be commended by Congress for helping to reach out and enhance the employability of veterans who might otherwise never have taken any other avenue toward employability.

We submit that if Congress asks correspondence students if they have benefited from this method of study, the overwhelming response will be "YES!"

We submit that correspondence training has, for over three decades, helped underemployed or unemployed veterans, disabled or isolated veterans, and older or disadvantaged veterans, and opened for these veterans the door to educational opportunity.

We submit that hope study benefits will help attract qualified people into the military.

We respectfully submit that it is in the nation's best interest that Congress encourage greater participation by veterans in correspondence training—to put more people back to work to get the country going again.

We face a need in our society to provide our veterans and service people with more ways to obtain specific, job-related training. We must make better use of alternative forms of education like home study that, by their nature, fill critical gaps in our educational system.

Home study will continue to grow in the military, in the government, and in civilian circles because there will be future generations of people who will not be able to report regularly to a classroom to learn, but who, nonetheless, need and deserve the right to study on their own, wherever they wish, at their own learning pace.

America needs home study as never before, and Congress should support this educationally effective, energy efficient, low-cost way to train people.

(Appendix A)

SOME FACTS ABOUT HOME STUDY

1. According to studies by the National Center for Education Statistics (NCES), home study tuitions are considerably less than those of resident schools. Further, under the current G.I. Bill, home study students are paid only 55 percent of the tuition amount—not a monthly stipend.

2. Veterans studying by correspondence under the current G.I. Bill are paid only after they have completed their lessons. This "after-the-fact" payment method makes overpayments impossible.

3. Eliminating correspondence training from the G.I. Bill will force service people and veterans into higher-cost resident schools. Because attendance at resident schools costs more, any savings realized by cutting out home study will be nullified.

4. Correspondence schools provide entry level job training in skill areas of critical national value: electronics technology, computers, engineering topics, and so on. Correspondence study is often the veteran's only practical, affordable method of study.

5. Correspondence training is a top choice of active duty service people: over one-third of Vietnam era service personnel chose home study as a method of study.

6. The largest supplier of home study courses is the U.S. military. The various armed services train over one million students a year using this cost-effective method.

7. Correspondence training is effective. This training method helps get nonproductive and underproductive veterans into useful civilian jobs fast. Courses are practical and vocational. Home study has long been used by business and industry for internal personnel training. The nation's economy benefits with every technician trained by this method.

8. Correspondence courses reach out to train veterans who are geographically isolated, homebound by war injuries, or unemployed and unwilling to attend resident schools with people who are many years younger.

(Appendix B)

WHAT GRADUATES SAY ABOUT HOME STUDY

The following excerpts are from graduates of McGraw-Hill Continuing Education Center's technical home study schools. Complete statements, signed by the graduates, are available.

Each graduate is a veteran or active duty service person. Each received educational benefits from the Veterans Administration.

"I'm employed by an automaker . . . asked myself what I would do if permanently unemployed . . . had to study and retain my full-time job . . . as a graduate of TV repair I feel secure knowing I'm qualified to run my own shop or work for someone else."—Wiley E. Joseph, Dayton, Ohio.

"I'm chief engineer . . . not expecting significant salary change . . . without electronics home study training, I'd be overwhelmed by changes in telecommunications industry . . . I've influenced changes which helped insure economic and technological success of our company.—George L. Lewandowski, Newark, N.J.

"I was a TV salesman with a management degree . . . goal was to become electronic service manager where I worked . . . with TV assistance, the home study course enabled me to attain my goal . . . became service manager and doubled my earnings."—Willian M. Phillips, Jr., Memphis, Tenn.

"I'm presently in the Navy . . . looking for further technical training . . . the home study program enabled me to help others understand theory and principles of refrigeration . . . encouraged two others to enroll . . . they saw that I benefited greatly."—Terry L. Farr, Leesport, Pa.

"I work swing shift . . . could never before coordinate a class with my schedule . . . my home study training was a rewarding experience . . . thought I knew a lot about small appliances before the course, but learned how little I truly knew."—William S. Beck. Lehighton, Pa.

"Home study training is one hurdle cleared toward my goal of operating my own small engine repair business . . . presently enrolled in community college taking business courses to better prepare myself to enter the world of business . . . applying a cost-benefit approach to home study training, I strongly urge anyone to train by home study . . . the benefits far outweigh the costs."—Donald E. Angstead, Port Orchard, Wash.

STATEMENT OF JACK DAVIS, VICE PRESIDENT FOR STUDENT SERVICES, ASHEVILLE-BUNCOMBE TECHNICAL COLLEGE, ASHEVILLE, N.C.; JAMES A KISER, JR., COORDINATOR OF THE DEPARTMENT OF STUDENT SERVICES OF THE SOUTH CAROLINA BOARD FOR TECHNICAL AND COMPREHENSIVE EDUCATION, COLUMBIA, S.C.; AND RON MIRIELLO, DIRECTOR OF ADMISSIONS, FAYETTEVILLE TECHNICAL INSTITUTE, FAYETTEVILLE, N.C.

Mr. Chairman and members of the Committee, I am Jack Davis, Vice President for Student Services at Asheville-Buncombe Technical College in Asheville, North Carolina. Accompanying me are Jim Kiser, Coordinator of the Department of Student Services of the South Carolina Board for Technical and Comprehensive Education, Columbia, South Carolina, and Ron Miriello, Director of Admissions, Fayetteville Technical Institute, Fayetteville, North Carolina. We have been actively involved in veterans education within our respective states and with national veterans legislation for many years. During this time, we have been privileged to testify before this Committee and the Senate Committee on several occasions. Our primary interest has been, and continues to be, to assure for our veterans quality education and equitable treatment under the law.

In H.R. 5673, the Veterans Administration recommends the elimination of the required 50 Percent Graduate Employment Survey for veterans in noncollege degree (NCD) programs. We strongly support this recommendation, but with one qualification. The qualification is that within courses currently barred, which is three percent according to a Veterans Administration report, any course which failed to meet the survey requirements for two consecutive reporting periods should continue to be disapproved and subject to existing requirements until compliance is demonstrated for one reporting period unless the Administrator finds mitigating circumstances. We see no reason to automatically release these courses from the requirement.

We find that we can support all other provisions of H.R. 5673 with the exception of Section 209. This Section would essentially permit the Administrator to approve or disapprove courses which, as described in Section 1772, is a responsibility of the individual states in which state approving agencies exist.

Section 1771(b) permits approval and/or disapproval by the Administrator only in the event a state ". . . fails or declines to create or designate a state approving agency . . ." Further, the Administrator is authorized (Section 1772(b)) to approve ". . . courses of education offered by any agency of the Federal Government . . ." We feel that these Sections show that the clear intent of Congress is that approval is basically a *state* responsibility. If the Veterans Administration feels that procedures currently in use are too slow to effectively stop overpayments in a timely manner, then the procedures should be changed through cooperation with state approval agencies (Section 1773). Our argument is not with the action to be taken, but with who, by law, should have the authority to take such action. The proposal by the Veterans Administration to allow the Administrator to approve or disapprove courses would be an infringement on the prescribed responsibilities of individual state approving agencies and, if allowed to become law, will establish a dangerous precedent. We therefore recommend that the Committee reject Section 209.

Since this is an oversight hearing, we would like to direct the Committee's attention to three other areas of Title 38 in dire need of clarification or modification and which, if improved, will enable more fair delivery of educational services to our student veterans.

In Section 1788, the paragraph below Clause 6 beginning with the word "Notwithstanding" provides a credit-hour formula for measuring vocational (NCD) courses and is intended to provide relief from the outdated clock-hour method of measurement used to measure vocational courses established immediately after World War II.

The Veterans Administration has placed a literal interpretation on the word "hour" used in this formula for laboratory and shop courses. This interpretation permits rest periods of ten minutes each hour with the exception of the last hour in a laboratory or shop course; thus, class change time is disallowed for payment purposes. This interpretation can cause the reduction of certain veterans from full-time to part-time pay status. Institutions of higher learning have traditionally used a fifty-minute "class hour" and are not inclined to alter the entire college class schedule to accommodate the Veterans Administration's interpretation.

This problem can be alleviated by the addition of the following statement to Section 1788 at the end of the paragraph beginning with the word "Notwithstanding." "The term hour 'referring to laboratory and shop portions shall be defined as fifty minutes. This is to allow ten minute intervals per clock hour for rest periods and/or changing classes. Such ten minute intervals shall not be accumulated'."

A second area of concern to us is attendance reporting for veterans in noncollege degree programs (Section 1780(a)(2)). Since no attendance requirements are imposed on veterans attending IHL type courses (many times in the same college as NCD students), we strongly feel that the same treatment should be afforded to veterans in NCD courses. Section 1780(a)(1) should be equally applied to either type of course, thus allowing colleges to control attendance in a fair and equitable manner for all its students. This discrimination toward veterans in vocational programs is long-standing and should not be perpetuated.

Failing the agreement of the Committee to remove this requirement (Section 1780(a)(2)), we wish to provide an overview of current regulations and their negative effect on our veterans. Further, we will suggest a more equitable method of reporting absences for these veteran students.

Presently, vocational students attending school five days per week are allowed a maximum of thirty days absence per year. Regulations require that veterans be reported absent during school breaks except for closings surrounding legal holidays, inclement weather, and teacher work days. Other times when the school has no scehduled classes, the veteran must be reported absent. We object to the veteran being penalized for days absent when he or she cannot and is not expected to attend classes. It is incredible that veterans with perfect attendance can have their pay reduced due to excessive absences. I repeat, veterans with perfect attendance can have their pay reduced one due to excessive absences, even though such absences are built into the system and are totally beyond the control of the veteran. To compound the absurdity of the situation, the veteran's pay is based on a thirty-day month, yet his reduction in pay for excessive absences is based on a twenty-day month. Thus, the veteran is penalized a day and a half pay for each day of absence determined to be excessive. We are certain that it is not the Committee's intention to have veterans penalized in this manner. Therefore, we recommend that if the

Committee sees fit to retain Section 1780(a)(2), the Section be rewritten to require absence reporting only for those days during which a student can actually attend classes.

Our final recommendation addresses annual compliance surveys required of the Veterans Administration by Section 1793, Title 38, U.S. Code.

It is our observation that the Veterans Administration assigns a compliance specialist an "easy" school (one with an excellent record of compliance) just prior to his assignment to a "tough" case. We can appreciate the fairness of such a system; yet, in the interest of cost saving, we recommend the elimination of *annual* surveys required by Section 1793 in favor of a three-year cycle for schools, without regard to size or type of programs, which have a history of no major discrepancies on compliance surveys. (This should be determined by the Administrator.) Obviously, in these days of reduced funding, staffing, and fewer student veterans, this approach will enable the Veterans Administration to place its emphasis with those schools which need the most help.

Mr. Chairman, this concludes our testimony. Thank you for allowing us to present our sincere concerns. We will be pleased to respond to questions or to elaborate on any points we have made.

STATEMENT OF THE VIETNAM VETERANS FOUNDATION

Mr. Chairman and members of this subcommittee, the Vietnam Veterans Foundation welcomes this opportunity to appear before this subcommittee to present our views on Public Law 97-72 (the Veterans Health Care, Training, and Small Business Act of 1981). My name is Tom Wincek, chairman of the Vietnam Veterans Foundation and I am accompanied by Robert Sniffen and Francis X. Boyle, vice chairmen of the VVF.

First, we wish to commend you Mr. Chairman, members of your subcommittee as well as other members of the U.S. House of Representatives for your recent efforts in reference to the administration's lack of implementation of Public Law 97-72 which became law on November 3, 1981. Hopefully the committees' letters to President Reagan and the subcommittee on HUD and independent agencies; the publicity given to these efforts; and this hearing will result in full implementaiton and funding of this landmark legislation on behalf of disabled and Vietnam veterans.

In our view, this legislation was passed with the wisdom of the Congress after a series of congressional oversight hearings. Simply put, Public Law 97-72 is the law of this land.

It is not acceptable for the V.A. to begin new debates and present rationalizations as to why the agency chooses not to produce the regulations for Public Law 97-72.

Mr. Chairman, any such rationalizations, logical or not, should not be acceptable to this committee, to the Congress nor to the veterans across this country We believe that Congress should direct the V.A. to immediately promulgate and issue the necessary regulations needed to administer this act without any further delay. To date, the funding needed to make this legislation a reality has not been appropriated. The VVF urges the Congress to take any and all actions within their jurisdiction to ensure funds for this program. The administration and the Office of Management and Budget should make appropriate requests to the Congess for these funds.

By enacting and signing this legislation into law, our Government has made another commitment to disabled and Vietnam veterans. The VVF calls upon that same government to honor this latest set of promises by funding Public Law 97-72.

Failure to implement Public Law 97-72 with its provisions for a twenty five million dollar small business loan program and failure to provide for veterans employment through Public Law 97-72's vocational education and training provisions would be a violation of these commitments intended by this Congress.

We view the implementation of Public Law 97-72 as an opportunity for the V.A. and the SBA to develop joint efforts and programs. The results could have a profound effect on the broader issue of providing multi-level business assistance counseling and information to disabled and Vietnam veteran owned businesses. Given SBA's lack of staff and resources, a joint partnership between V.A. and SBA need to be developed into a marraige of staff resources and efforts if these veterans are ever going to receive the services they need to complete and prosper in the current economic mainstream. An initial step toward this goal was a May 3, 1982 letter from V.A. Administrator Robert Nimmo to SBA Administrator James Sanders. In the letter, the V.A. agrees to appoint a veterans-in-business coordinator in each regional city to work with the SBA veterans affairs officers already appointed in each of the SBA district offices.

Mr. Chairman, there are crucial business issues and other recent initiatives such as the SBA administrator's policy statement for veterans and the SBA Task Force Report on Special Consideration for Veterans, Public Law 93-237 that need to be reviewed by the Congress. The review would follow the progress to see how many of the recommendations in this report are implemented and eventually provide assistance to disabled and Vietnam veteran owned businesses.

Accordingly, Mr. Chairman, we wish to introduce for the record and future consideration the 1982 legislative goals and objectives of the Vietnam veterans foundation. These legislative and programatic issues raised in this document are put forth to assist disabled and Vietnam veteran owned businesses in a broad based manner.

We hope our recommendations will stimulate discussions and more importantly action on the part of the Congress and the responsible agencies in such areas as procurement, contracts, and other business opportunities for disabled and Vietnam veterans.

Mr. Chairman, this concludes our written testimony. With your permission, we have supportive documents to submit for the record. The VVF looks forward to working further with your subcommittees and other committees of the Congress to address small business issues effecting disabled and Vietnam veterans.

Once again, we appreciate your efforts and that of the full Committee on Veterans Affairs in reference to Public Law 97-72 and other key issues of importance to disabled and Vietnam veterans and the free enterprise system.

Vietnam Veterans in Business II

1982 LEGISLATIVE GOALS AND OBJECTIVES OF THE VIETNAM VETERANS FOUNDATION

This concept-recommendation paper is based upon some three years of intensive research, learned experiences and cumulative expertise developed by the Vietnam Veterans Foundation. It addresses the vital issues facing disabled and Vietnam veterans in the areas of small business and economic development programs. The following recommendations if implemented, will serve to assist disabled and Vietnam veterans owned businesses.

The VVF recommendations are as follows: President Reagan, his administration, the Veterans Administration and the Office of Management and Budget, should take immediate actions to implement the provisions of Puble Law 97-72 (the Veterans Health Care, Training, and Small Business act of 1981. The Administration should keep its commitments by requesting the twenty five millions dollars ($25,000,000.00) needed to enact this portion of law. Congress should immediately order the Vietnam Administration to promulgate and issue the pertinent regulations needed to administer this law.

Oversight hearings by the appropriate Congressional committees should be scheduled to determine whether the Small Business Administration is serious about its latest set of commitments. Specific focus should be brought to bear on SBA Administrator Jim Sanders' Veterans in business policy statement issued on May 14, 1982 and SBA's recent Task Force Report on Special Consideration for Veterans in Business which contains 29 specific recommendations for improvement of services to veterans as provided for under Public Law 93-237. Reports on SBA's progress in these efforts should be mandated by the Congress.

Interest rates for disabled and Vietnam veterans obtaining loans under Public Law 97-72 should be given at favorable rates. Serious consideration should be given to setting lower interest rates for disabled and Vietnam veterans obtaining SBA guarantee and director loans. Currently, the Export-Import Bank gives guaranteed loans at a rate of 12 percent interest. These lower interest rates will assist disabled and Vietnam veterans in obtaining loans and improve their small business opportunities.

Encourage and perpetuate an inter-agency effort amongst the Federal agencies to develop more specific policies, procedures, and regulations designed to assist disabled and Vietnam veterans. Procurement programs should be developed within the Department of Defense, GSA, VA and other Government agencies. These programs should include methods by which businesses owned by disabled and Vietnam veterans would be assisted in obtaining subcontracting opportunities as provided for under Public Law 95-507. Small business utilization offices (OSDBU) throughout the Federal Government, as well as procurement center representatives of the SBA need to be given a stronger role and direction to include disabled and Vietnam veterans owned businesses in their current procurement activities.

Major government contractors should seek out qualified disabled and Vietnam veterans owned businesses and award sub-contracts. Defense contractors should especially develop "partnerships" with disabled and Vietnam veteran owned businesses in competing for defense contracts. An example of this type of business relationship recently began between Sperry Univac the computer giant and major government contractor, and innovative Technology Incorporated, a vietnam veteran controlled high technology small business. With the approval of Sperry Univac's president Joseph Kroger, and director of Sperry Univac's vice president of Federal systems Richard Mock, the corporation has initiated cooperative discussions with Innovative Technology Incorporated's board chairman and Vietnam veteran Timothy O'Shaughnessy.

The procurement automated source system(PASS) of the SBA needs to be developed as a valid mechanism to assist registered small businesses. Federal agencies purchasing products and services should utilize disabled and Vietnam veteran owned business registered with PASS. SBA should expand its efforts to contact Vietnam and disabled veteran owned businesses and have them register their company with PASS.

Minority disabled and Vietnam veteran owned businesses should be identified so that they can participate in the SBA's 8(a) procurement program.

Special efforts should be made to include Vietnam and disabled veteran owned businesses in loans provided by the SBA's MESBIC's and SBIC programs. Speical MESBIC's disigned to provide venture capital to disabled and Vietnam veterans, should be conceived, developed and licensed by the SBA.

Banks should be encouraged to start special programs aimed at assisting disabled and Vietnam veterans owned businesses.

Develop Vietnam veteran business development centers aimed at providing disabled and Vietnam veteran owned businesses with information and direct assistance on a multi-service level. Financing, loan packaging, product marketing, private and government procurement and contracting opportunities, plus other business opportunities need to be developed in order to properly serve these businesses. Similar efforts have currently been launched by the U.S. Commerce Department's minority business development agency. Thirty five million dollars(35,000,000.00) for one hundred consulting centers under private contracts in some thirty seven States, have been staffed with experts in accounting, inventory control, bid estimating, contract negotiations, and other needed areas of technical management and contracting assistance. The VVF cities this program as the very same type of program that is needed if disabled and Vietnam veteran owned businesses are ever going to be properly serviced, given the budget restraints and lack of SBA resources. This opportunity objective of the VVF should be considered, authorized, developed and budgeted by this very Congress.

The recently established office of Veteran business enterprises, currently under the Office of Advocacy of the SBA, should be empowered with the necessary staff resources and line authority to ensure effective actions on the part of veterans, especially disabled and Vietnam veterans. The VVF recommends that Congress closely review this newly created office in an effort to ensure that the authority and direction granted truly exists within the SBA structure. If the OVBE is not presently empowered to carry out the mandates of Congress, then elevation of this OVBE is recommended. Consideration should be given to the creation of an associate administrator of veterans affairs, to coordinate veterans programs throughout the agency. Codification of this newly created office should be enacted to insure the perpetuation of this office by law, rather than policy statement as is the present justification for SBA's Veterans efforts.

Methods and appropriate programs designed to strengthen and ensure business opportunities for disabled and Vietnam veteran owned businesses under the auspices of Public Law 97-72 should be developed, and enacted as part of the appropriate congressional committee efforts to assist these businesses.

TESTIMONY OF GABRIEL P. BRINSKY, AMVETS NATIONAL SERVICE AND LEGISLATIVE DIRECTOR

Good morning, Mr. Chairman. AMVETS appreciates this opportunity to appear before your Committee to express its views on H.R. 5673, which would amend Title 38, United States Code, to make certain adjustments and improvements in the Vocational Rehabilitation and Education Programs administered by the Veterans Administration.

In order to conserve time, I will address my remarks to only certain sections of the proposed Bill and deal with them in greater detail in my full statement which is requested be made a part of the record. Other sections of the Bill will be commented upon in that statement.

Title I, Rehabilitation Amendments, Section 101 would eliminate the additional vocational rehabilitation subsistence allowances on behalf of dependents under Chapter 31. The argument advanced in favor of this proposal is that service-connected disabled veterans whose disabilities are rated as 30 percent or more are receiving additional disability compensation for dependents. This is the same group of veterans, so goes the reasoning, who also receive an added Chapter 31 allowance for dependents. This, it is solemnly declared, is a duplication of benefits. There certainly will not be a duplication in the 30 and 40 percent service-connected disability ratings if certain proposals which have been advanced are enacted into law. In review of proponents, veterans whose disabilities are rated at less than 50 percent are likely to be fully employed and in a position to provide for their families without added assistance.

We believe that these views beg the question. Disability ratings under the 1945 Schedule for Rating Disabilities are predicated upon loss of average earning power. It is only equitable that this loss be viewed in terms of deprivation to dependents. If this be so, then the compensation is paid with the dependency factor being built in. Therefore, the added Chapter 31 allowance for dependents cannot constitute a duplication of assistance.

Of more importance, is the impact that the elimination of additional allowance for dependents would have upon those who are pursuing or who plan to pursue benefits under Chapter 31. The group most affected by the proposed change would be those who are in need the most. The very purpose for the enactment of Chapter 31 benefits could be defeated by this proposed Bill. Many who would pursue a course of education or training if an additional allowance is available for dependents may not do so without this additional assistance. Therefore, AMVETS is opposed to this provision of Section 101 of Title I.

Title III would eliminate, in effect, assistance to eligible veterans and other eligible persons, the pursuit of correspondence training. It is the position of the Veterans Administration that the correspondence training programs has not met the objective of providing substantial employment for those trained, and that many individualls have used this program primarily for recreational or advocational purposes. A General Accounting Report in 1979 shows that only about 35 percent of those who completed correspondence training had full time jobs directly related to their training amd that the overall completion rate for correspondence training courses was less than 50 percent. The VA Inspector General in his report of 1979 stated that a survey of veterans who had completed correspondence courses disclosed that less than half were directly employed in the field for which they were trained.

While these figures are used to substantiate the position that the correspondence trainimg program has not met the objective of providing substantial employment for those trained, we are not certain that this fact is reflected by the reported figures. But if this conclusion were to be accepted, we believe that this is a very cursory evaluation of the issue. For example, should there be inefficiencies in the program, and undoubtedly there are, perhaps a modification rather than a complete elimination of the program is indicated. While there may have been abuses, there are veterans who are greatly in need of the correspondence course rehabilitation. There are veterams who live in outlying areas where academic attendance is denied them by reason of location or the demands of their particular living conditions. Then there are those who by reason of disability would find it inappropriate to attempt a formalized education or training which would take him away from his home environment. In our view, the fact that the program has been used for recreational or advocational purposes, should not terminate the program which can be utilized and could be most effective for certain categories of our veterans. It would appear to us rather than elimination of this benefit that it be revised to eliminate the abuses and continue to make it available to those who are in need of it.

As regards the other sections of the proposed Bill, Section 101 would also amend 38 U.S.C., Paragraph 1508(g) to eliminate the requirement that the Administrator verify the amount of an individual's living expenses where the individual is residing in a halfway house or participating in a work-release program in connection with the individual's conviction of a felony. The proposed change would eliminate a verification of the amount of the defrayment of an individual's living expenses under either a federal, state or local government, and permit payment of the allowance to such imdividual as a part of their readjustment process. This is a purely administrative matter and to which we have no objection.

Section 201 would rescind the authority for the veterans' representatives programs contained in Section 243 of Title 38 and would amend Section 242 to specifically authorize the Administrator to station veterans benefits counselors at locations away from the VA regional office.

The original purpose of the veterans' representatives program was to alleviate problems in the educational assistance payment system which caused delays in the receipt of benefit checks for many of the veterans attending school. In the past few years, because of fiscal restraints, this program has been eroded by diminishing the number of available veterans representatives.

As we view it, for all intents and purposes the program is nonexistent. This being so, we have no objections to veterans benefits counselors currently performing a variety of duties which were previously accomplished by veterans representatives being authorized by the Administration to be stationed at locations away from the regional office.

As regards Section 204, AMVETS has no objection that the requirement be repealed that vocational schools report on a number of graduates, who, during the preceding two-year period have obtained employment in the field for which the school has provided training. The intent of Public Law 93-503 was to prevent and mitigate against abuses of the Veterans Administration education programs by requiring schools to show their vocational objective courses which they had offered could demonstrate a 50 percent replacement record over the preceding two-year period. This was at a time when more than half a million veterans were enrolled in vocational rehabilitation. Today, the enrollment is approximately one-tenth. The need to prevent abuses which was initially demonstrated no longer exist. AMVETS has no objection to this provision.

Similarly, we have no objection to Section 205 which is purely a technical amendment which would amend Title 38 U.S.C., Paragraph 1673(d) to clarify that educationally disadvantaged servicepersons pursuing high school completion or GED courses without charge to entitlement are subject to the 85-15 veteran-dependent enrollment requirement under which no more than 85 percent of the individuals enrolled in a course may be veterans and dependents receiving VA benefits. AMVETS has no objection to the enactment of Sections 206, 207, and 208 all of which are administrative in nature more than substantive in character.

Currently, under Section 1790(b) of Title 38, where a course fails to meet record-keeping or report requirements, payments to eligible veterans and persons continue until remedial action such as withdrawal of approval is affected or until evidence of nonentitlement is acquired in the individual case. Under Section 209 of the proposed Bill it would permit the Administrator to minimize or prevent overpayments by discontinuing educational assistance where there is evidence that a course fails to meet approval requirements or where the other practices for entitlement for continued payment of educational allowance. We have no objection to this provision.

AMVETS has no objection to Section 210 which is purely an administrative matter regarding reporting to Congress.

Title III, repeal of authority to pursue correspondence training, would eliminate the pursuit of correspondence training. This particular program of education has, during the past years, been the subject of modification in terms of the allowance funded by the government. The program was made less attractive by increasing the amount of the cost of the program to be met by the veteran. This provision would completely eliminate correspondence course training.

The opponents of correspondence training argue that the purpose of the educational assistance provided was as a readjustment benefit designed to extend the benefits of a higher education to persons who might otherwise be unable to afford such an education to persons who might otherwise be unable to afford such an education and to provide vocational readjustment and restoration of educational opportunities lost to those individuals by virtue of interruption by military service and to aid such individuals to attain the educational and vocational status that they would have attained but for their service to their country. These objectives, goes the argument, have not been met by the program of correspondence training. Instead it has been primarily used for recreational or advocational purposes. In support of this position it is noted that the 1979 report by the General Accounting Office shows that only 34 percent of those who com-

pleted correspondence training had full-time jobs directly related to their training and that the overall completion rate for correspondence training courses was less than 50 percent. The September 1979 report from the VA Inspector General, however, differs with the 34 percent figure of those who completed correspondence training having full-time jobs directly related to their training. The Inspector General found that less than half were directly employed in the field for which they trained.

We respectfully suggest that if the discontinuance of the program is to be predicated solely upon these figures, then there is a basis for questioning the desirability of doing so. This will be reflected by a comparison of figures with the other forms of training programs. Certainly, they do not support, at least convincingly so, that the correspondence courses have not fulfilled their intended purpose of aiding the veteran to adjust to his or her changed circumstances by providing the training required for employment.

What concerns us the most, is what the effect will be upon those who desire to pursue a course of training but because of disabilities or other circumstances peculiar in certain regions of the country, they cannot do so except through correspondence. Discontinuance of a correspondence course would deny training to those who could not move to a campus location because of family or other responsibilites, or because of physical disability or circumstances requiring his presence at home.

Granted there are abuses just as there have been abuses in all forms of vocational rehabilitation and training. We believe the solution to eliminate these abuses by eliminating the program is too drastic and would deny a benefit to those who have no choice but to pursue correspondence training. It appears preferable to us to make the correspondence training program available but only under certain stated circumstances. It could be authorized on a case-by-case basis.

Title IV, would reduce the period for requesting waiver of recovery of a VA overpayment from 2 years to 180 days by amending Section 3102(a). We have no objection to Section 401 which would accomplish this provided that at the time the overpayment is created the individual is informed of the time limitation. Failure to do so would toll the period.

This concludes my testimony. Thank you.

PREPARED STATEMENT OF MARVIN P. BUSBEE, LEGISLATIVE DIRECTOR, NATIONAL ASSOCIATION OF STATE APPROVING AGENCIES

Mr. Chairman and members of the committee, our association is pleased to have this opportunity to appear before your committee to testify on H.R. 5673, a bill which has been introduced at the request of the VA, and to review veterans' administration education, training and rehabilitation programs.

I am an employee of the State of South Carolina, Department of Education. My position is chief supervisor of the State approving section, and I have been affiliated with this section for 35 years. Since 1964, I have been privileged to testify before this committee and also the Senate Committee on Veterans' Affairs on many occassions. My interest and the interest of our association has been, and continues to be, in carrying out responsibilities as assigned by title 38, and in carrying out these responsibilities, serve as a basic safeguard against abuse.

SECTION 204

This section would amend section 1673(a)(2) of title 38, to repeal the requirement that vocational schools report on the number of graduates, during the preceding 2-year period, who have obtained employment in the field in which the school has provided training.

The so-called "50-Percent Employment Rule" was established in 1974 to prevent and mitigate against abuses of educational programs by requiring schools to show that the vocational objective courses they offered demonstrate a 50-percent placement record over the preceding 2-year period.

It appears to our association that this rule has outlived its usefulness in that vocational schools and other schools offering vocational programs have begun to exercise a greater role in employment planning for students who take these types of courses and in the utilization of the training to match employment needs. The preparation and filing of these reports is very costly, and requires a large number of man hours annually on the part of the schools to meet these requirements. Also, it requires a large number of hours for State approving agencies to review and process these reports. In addition to the salutary effect to making schools aware of the need to provide requisite training to meet employment needs, this rule has had the effect of many schools establishing a placement section. I might add that in the 35 years that I have been involved in the education and training program for veterans and other eligible persons, many of the requirements and rules of the State approving agencies and the Veterans' Administration, was the beginning for schools and training establishments to establish criteria and standards which vastly improved the delivery system and training.

Our association believes that the requirement has now served its basic purpose and concurs with H.R. 5673, section 204.

SECTION 209

This bill (H.R. 5673) would amend section 1790(b)(2) of title 38, United States Code, by adding a new paragraph (3).

Paragraph (b)(1) of this section authorizes the Adminstrator to discontinue the educational assistance allowance of any eligible veteran or eligible person if the Administrator finds that the program of education of any course in which the veteran or person is enrolled, fails to meet any of the requirements of this chapter or chapter 34 or 35 of this title, or if the Administrator finds the educational institution offering such program or course has violated any provisions of this chapter or chapter 34 or 35, or fails to meet any of the requirements of such chapters.

This new paragraph authorizes the Administrator to discontinue educational assistance to eligible veterans and eligible persons already enrolled, and also authorizes the Administrator to disapprove the enrollment of any veteran or eligible person in any course where the Administrator finds that (a) the course fails to meet any of the approval requirements of this chapter or (b) the educational institution offering the course has violated the record keeping or reporting requirements of this chapter, or chapters 31, 32, 34 or 35 of this title, after having been advised of such violation(s) and has failed to take reasonable corrective action.

Our State approving agencies are fully cognizant that the enrollment and payment of educational allowances to veterans and other eligible persons is the responsibility of the Veterans Adminstration, and our State approving agencies do not, in any way, desire to have any input relative to enrollment and payment of educational allowances.

However, in terms of, "The course fails to meet any of the approval requirements of this chapter" is in direct conflict with section 1773 of title 38. This section (1773) states that the Administrator and each State approving agency shall take cognizance of the fact that definite duties, functions, and responsibilities are conferred upon the Administrator and each State approving agency under the educational programs established under this chapter and chapters 34 and 35. This section also states to assure that such programs are effective and efficiently administered, the cooperation of the Administrator and the State approving agencies is essential.

This proposed amendment allows the Administrator to discontinue educational assistance to all eligible veterans and eligible persons already enrolled. This equates to the Administrator making determination as to whether or not the course meets the approval requirements as required by title 38. This is a responsibility that has been assigned, by law, to State approving agencies.

There is no question that the enactment of this proposed amendment would serve the purpose of reducing overpayments. Our association is vitally concerned about overpayments and other abuses and has been for a number of years. For example, the staff of this committee has always solicited suggestions, both individually and collectively, from our association and its members. During a meeting on May 18, 1975, we became cognizant that veterans and other eligible persons were receiving educational allowances to which they were not entitled. We adopted a resolution which stated in part that large amounts of money paid was unneccessary and legally questionable, and urged that steps be taken to prevent a continuation of this waste. In addition, we adopted as our theme for 1982, the following: "Prevention of Fraud, Waste and Abuse." During our annual midwinter meeting in February 1982 we conducted workshops using this theme, stressing our responsibilities in preventing and/or minimizing waste and abuse.

It appears that the proposed amendment to 1790 should be further amended to give State approving agencies the opportunity to affirm whether or not approval requirements are being met.

Our association respectfully requests serious consideration in amending the aforementioned amendment (section 209(3)) as follows: Note—the proposed amendment to the amendment is italic.)

"(3) notwithstanding, the evidence required to discontinue educational assistance to an individual eligible veteran or eligible person under paragraph (2) of this subsection, the Administrator may discontinue such assistance to eligible veterans and eligible persons already enrolled, and may disapprove the enrollment of any eligible veteran or eligible persons in any course where the Administrator finds that (a) the course fails to meet any of the approval requirements of this chapter, or (b) the educational institution offering the course has violated the record keeping or reporting requirements of this chapter, or chapters 31, 32, 34 or 35 of this title, and *State approving agencies* and educational institutions have been advised of such violation(s), having failed to take reasonable corrective action within 30 days. Whenever the Administrator so discontinues such assistance, the Administrator shall give notice as required under paragraph (2) of this subsection."

This amendment to the proposed amendment would serve two purposes: First, it would allow input from State approval agencies regarding approval criteria and afford State approving agencies the opportunity to affirm or not affirm. Secondly, in case of affirmation, it would serve to allow the Veterans' Administration to discontinue payments and enrollments even through the State approving agencies have not withdrawn the approval. In many States certain administrative procedures are prescribed before the approval of a course can be disapproved, or a license withdrawn. These procedures frequently require a long period of time before final action. I can attest to this having had the opportunity during the past year to withdraw the approval and license from a school.

SECTION 1652

An area of concern has been that we are authorized to approve courses of education and training and these terms have not been defined in section 1652. We recommend amending 1652 by adding "h" and "i" as follows: (h) the term, "course" means any curriculum or combination of unit courses or subjects pursued at an educational institution which is generally accepted as necessary to fulfill requirments for the attainment of a predetermined and identified educational, professional, or vocational objective. Such term also means any curriculum or unit courses or subjects pursued at an educational institution which fulfills the requirements for the attainment of more than one predetermined and identified educational, professional or vocational objective.

(i) the term "program of training on the job and apprenticeship" means training in which progression and appointment to the next higher classification are based upon skills learned through organized and supervised training in accordance with sections 1776 and 1787 of this chapter.

SECTION 1772

We recommend the following amendment: "(a) an eligible person or veteran shall receive the benefits of this chapter and chapters 34 and 35 while enrolled in a course of education offered by an educational institution *or a program of training* offered by a training establishment only if (1) such courses are approved as provided in this chapter and chapters 34 and 35 and 36, by the State approving agency for the State where such educational institutions or *training establishments* are located, or by the Administrator, or (2) such courses are approved (a) for the enrollment of

the particular individual under the provisions of section 1736 of the title, or (b) for special restorative training under subchapter V or chapter 35 of this title. Approval of courses and *programs* by this chapter and chapters 34 and 35 and such other regulations and policies as the State approving agency may adopt. Each State approving agency shall furnish the Administrator with a current list of educational institutions and *training establishments* specifying courses and *job objectives* which it has approved. In addition to such list, it shall furnish such other information to the Administrator as it and the Administrator may determine to be necessary to carry out the purposes of this chapter and chapters 34, 35 and 36. Each state approval agency shall notify the Administrator of the disapproval of any course *or program* previously approved and shall set forth the reasons for such disapproval.

SECTION 1774

The Administrator is authorized to enter into contract agreements with State and local agencies to pay such State and local agencies for reasonable and necessary expenses of salary and travel incurred by employees of such agencies and an allowance for reasonable and necessary expenses of salary and travel incurred by employees of such agencies and an allowance for administrative expenses in accordance with the formula contained in subsection (b) of this section in (1) rendering necessary services in ascertaining the qualifications of educational institutions and *training establishments* for furnishing courses of education and *programs of training* to eligible persons or veterans under this chapter and chapters 34, 35, and 36, and in the supervision of educational institutions and *training* establishments and (2) furnishing, at the request of the Administrator, any other services in connection with chapters 34 and 35. Each such contract or agreement shall be conditioned upon compliance with the standards and provisions of chapters 34, 35 and 36. The Administrator may also reimburse such agencies for work performed by their subcontractors where such work has a direct relationship to the requirements of chapters 32, 34, 35 or 36 of this title, and has had the prior approval of the Administrator. We recommend adding the portion italicized.

SECTION 1788

The section entitled, "measurement of courses is the responsibility of the Veterans' Administration and not state approving section." However, paragraph 6 authorizes educational institutions offering courses not leading to a standard college degree to measure such courses on a quarter- or semester-hour basis which involved state approving agencies and schools in meaningless extra work in terms of unnecessary paperwork to achieve its purpose.

The key to this section is contained in the last sentence which reads, "In no event shall such courses be considered a full-time course when less than 22 hours per week of attendance is required." In addition, 12 credit hours must be pursued along with the 22 hours per week of attendance for full-time measurement.

The regulations require, in addition to an application, that the catalog or bulletin must contain such information as will make it possible to determine whether all requirements for credit hour measurements are met, and will include the following:

(1) School certification that credit for the course is awarded in terms of standard semester or quarter hours.

(2) Identification of either 12, 13 or 14 semester or quarter hour as the minimum number of hours which will establish a criteria for full time measurement.

(3) The course outline for each course for which approval is requested, showing the minimum number of credit hours and clock hours required for course completion: The subjects in the course by title and type of instruction, that is, academic, laboratory or shop: The time in clock hours to be spent on each subject per week and the credit hour rating assigned to each subject per quarter, semester or term.

All of this is in addition to the requirements of section 1776 entitled, "Approval of nonaccredited courses."

The same could be achieved by the elimination of the provisions of paragraph 6 of 1788 and substituting the following: "An institutional course offered as part of the program of education not leading to a standard college degree under section 1691(a)(2), of this title shall be considered a full time course on the basis on measurement criteria provided in clause (2), (3) or (4) as determined by the educational institution and (5) in no event shall such course be considered a full-time course when less than 22 hours per week of attendance is required.

Mr. Chairman, this concludes my presentation. I will be pleased to respond to any questions.

SUMMARY

(1) Repeal the requirement that vocational schools report on the number of candidates who, during the preceding 2-year period, have obtained employment in the field for which the school has provided training; 1673 (a)(2).

(2) Include State approving agencies in detemining whether approval criteria is being met (sections 1775 and 1776—title 38 United States Code). Define "course" and "training" (1652).

(4) Include training restablishments and program of training. (1772) (Approval of courses).

(5) Same for 1774 (Reimbursement of expenses).

(6) Eliminate unnecessary paperwork and meaningless extra work for State approving agencies and schools in allowing institutions offering courses not leading to a standard college degree to measure such courses on a credit hour basis.

Written Committee Questions and Their Response

CHAIRMAN EDGAR TO VETERANS' ADMINISTRATION

Question 1. As you mentioned in your testimony, Public Law 96-466 emphasizes the responsibility of the VA to promote and enhance employment opportunities for service-disabled veterans who have received vocational rehabilitation services under chapter 31 or in a similar program under the Rehabilitation Act of 1973.

What specific actions have been taken by the Veterans Administration in this area?

Answer. The VA is utilizing the following methods to carry out its responsibility to promote and enhance employment opportunities for veterans who are receiving employment assistance under chapter 31:

a. VR&C Officers have received training on the implementation of a detailed circular on employment services. This circular emphasizes the critical nature of through planning which begins as soon as eligibility for employment assistance is established. When possible, a DVOP (Disabled Veterans Outreach Program) specialist or LVER (Local Veteran Employment Representative) should participate in the planning process along with the VR&C staff member and the veteran. Each veteran receiving employment service must have an IEAP (Individualized Employment Assistance Plan) which clearly identifies the responsibilities of the VA, the veteran, and other service providers. Job seeking and retention skills are incorporated into the veteran's program early on so that the veteran has ample time to develop self-confidence and identify and work on weak areas. Follow-up and postplacement service are provided until there is ample evidence that the veteran has made a satisfactory adjustment on the job.

b. The VA has collaborated with DOL on the issuance of two circulars: Outstationing DVOP Staff in VA Facilities, and Targeted Jobs Tax Credit Program. Both directives call for intensive mutual VA-SESA (State Security Agency) development and for local agreements which are to be incorporated into statewide agreements.

c. A comprehensive VA/DOL agreement has been signed by the Administrator and forwarded to the Secretary of Labor for ratification. This agreement clarifies duties and responsibilities and establishes procedures for working together in areas of mutual concern. Liaison staff of both agencies are required to be aware of each other's services, operations and referral procedures.

Upon ratification of the national agreement DOL's State Directors for Veterans Employment and VA officials will negotiate and implement statewide agreements tailored to fit local needs. These agreements will be consistent with congressional intent and legislative mandates as discussed in the national agreement.

Question 2. Many veterans being discharged or released from the Armed Forces are and will continue to be, persons who have served 20 or more years and therefore retired for longevity. Many, however, have been determined to be entitled to compensation payments for a small disability. In this regard, reports received by the Committee indicate that there have been instances of over agressiveness on the part of VA personnel to persuade a disabled veteran that Chapter 31 training should be undertaken. Many of these military retirees do not want a second career and do not want Chapter 31 training, but have been apprehensive in not cooperating with the VA for fear it will negatively impact on their compensation payments. I know PL 96-466 established a separate service for Vocational Rehabilitation and Counseling and I hope the over-aggressive action on the part of some in this new service has not been one of the unanticipated results of establishing this separate service. Would you check on these reports and provide me your views on this matter.

Answer. We are not aware of any over-enthusiastic motivation and outreach activity on the part of our staff. We instructed our VR&C Officers to increase motivation and outreach efforts only to those veterans most seriously disabled who could best benefit from comprehensive rehabilitation services. The basic thrust of VR&C's motivation and outreach effort continues to be one of assuring that each potentially eligible veteran understands the rehabilitation program and is able to make an informed and independent decision as to whether on not to apply.

In regard to those veterans with less serious disabilities, we have in process a revision of our current procedures which will limit outreach contact with veterans rated less than 30% SC to an informational letter rather than telephone or personal visit type contacts. We will continue to make every effort to provide the necessary information to disabled veterans while making it clear that failure to participate in a chapter 31 program will not affect eligibility for other VA benefits. Any reported instances of over aggressiveness are, in our opinion, isolated occurrences and in no way related to the estabishment of a separate Vocational Rehabilitation and Counseling Service.

Question 2a. Referring again to the Chapter 31 program, are there any veterans in this program whose only service was in World War II? If so, how many?

Answer. Yes. The are 99 veterans in the chapter 31 program whose only service was in World War II.

Question 2b. How many are there whose service was during the Korean Conflict or whose only service was in World War II and the Korean Conflict?

Answer. There are 111 veterans in the chapter 31 program whose service was during the Korean Conflict.

Question 2c. If there are any from these two wars, would you please provide a brief synopsis on the nature of their disabilities and the training that has been provided to overcome their employment handicap.

Answer. This decreasing number of WWII and KC veterans (down from 350 in 1979 to 210 this year), representing approximately 1 percent of the current chapter 31 trainees, includes the following numbers in the types of training indicated:

College degree program	116
Vocational/technical	60
On-job training	13
Institutional on-farm	5
Special restorative and other	16
Total	210

Separate information on the nature of the specific disabilities of this group of trainees is not readily available from national program data collected. However, eligibility criteria would require that each of these participants have a serious employment handicap in order to qualify for extensions to the basic eligibility period.

Question. 3. What is the area of interest of the Veterans Advisory Committee on Rehabilitation? Should this group be limited to programs for the service-connected disabled, such as Chapter 31?

Answer. The Veterans Advisory Committee on Rehabilitation is charged with the responsibility for providing advice and consultation to the Administrator with respect to the administration of all veterans' rehabilitation programs under title 38. This means that the Committee must be concerned with rehabilitation programs under the Department of Medicine and Surgery (DM&S) as well as the chapter 31 vocational rehabilitation program under the Department of Veterans Benefits (DVB).

In addition to an annual review of existing programs, the Committee will also assess the rehabilitation needs of veterans and submit appropriate recommendations to meet those needs.

We believe that this broad jurisdiction is appropriate for the Committee because DVB/DM&S coordination and cooperation in the provision of rehabilitation services is essential.

Question 4. In your testimony regarding the independent living program established by PL 96-466, you state that only 100 veterans will receive services in Fiscal Year 1982 and 100 veterans will receive services in Fiscal Year 1983. The law authorized up to 500 veterans to participate in this program each year. You indicated that problems developing resources and difficulty in identifying suitable candidates have prevented you from fully implementing this program.

What do you mean when you use the term "develop resources," and why has it been difficult to identify participants for this program?

Answer. It is projected that 100 veterans will be participating in the pilot program in fiscal year 1982 and 200 in fiscal year 1983. PL 96-466 has auhtorized us to contract with public or nonprofit agencies or organizations which possess a demonstrated capability to conduct programs of independent living services. It has taken a longer time than originally anticipated to identify such programs since they have not been previously utilized by our staff. Newly developed programs must be carefully reviewed to assure that they have a demonstrated competence in the provision of independent living services. Even RSA funded programs must be thoroughly reviewed since the range of services and the client populations served vary significantly among programs. To assist regional office personnel in identifying local resources, they have been sent listings of RSA funded independent living programs as well as a nationwide directory of public and private programs. A listing of DM&S pilot independent living centers, blind rehabilitation centers and spinal cord injury centers was also sent to field personnel.

It has been difficult to identify participants for the pilot program because those veterans who might be potential candidates have not, typically, in the past requested services from the Vocational Rehabilitation and Counseling Program. In an attempt to reach veterans who might now be eligible for services, instructions for participant identification were issued to the field. A list of all veterans determined to be infeasible for a vocational objective during the years of 1976 through 1980 was sent to each regional office for review and followup. Meetings have been held with veterans service organizations both at the field and national levels to identify severely service-disabled veterans who might benefit from the pilot program. There has also been an extensive outreach effort coordinated with DM&S. Conference calls have been made to DM&S service chiefs in the field. Regional office staff have met with DM&S facility personnel within their jurisdiction to review veterans on the inpatient or outpatient rolls of those facilities or residing in nursing homes on a contract basis to locate potential candidates.

Question 5. GAO recently contacted this Committee regarding the on-the-job training program. This limited study indicated that beginning wages in many on-the-job programs are now so high that a veteran can actually have less income at the end of a course when his VA benefit has been reduced.

Are you aware of this situation? Is it true and, if so, what are you doing about it?

Answer. We have received a GAO draft report "Changes to the Veterans Administration's Apprenticeship and On-the-Job Training Programs Should Be Considered." The report states there are cases where the beginning wage rate *and* the VA educational benefits exceed the journeyman wage rate. We are considering a proposal to alleviate this problem. If necessary, we may request a change in the law.

Question 6. Witnesses have indicated in their testimony that Section 209 of H.R. 5673 infringes on the responsibility of the State approving agencies to approve or disapprove courses. Would you comment on this?

Answer. We do not agree that the amendment to 38 USC 1790(b) would infringe upon the responsibilities of the State approving agencies. This provision recognizes the VA's parallel responsibility to discontinue payments when there is a violation of chapter 31, 32, 34, 35 or 36 of title 38 U.S.C.

Question 7. An issue has been raised regarding Section 1788 of Title 38. It has been suggested that the Veterans Administration has incorrectly interpreted this section in requiring that laboratory and shop courses offered at an educational institution not leading to a standard college degree be measured in clock hours rather than the 50-minute class hour and that courses measured on credit-hour should be free of the clock-hour restriction. Would you comment on this?

Answer. It is our view that when the law states one hour it is intended to mean 60 minutes. If 50 minutes net of instruction is specified it is spelled out in the law. Our review of the legislative intent of this provision indicates clock-hours were intended to mean 60 minutes of instruction.

Question 8. What is the current volume of education loans being made and who is now eligible for loans?

Answer. Twenty-seven loans were granted in May; fifty-seven granted in April. 479 loan applications were received during the second quarter of fiscal year 1982. 139 applications were approved. The only persons eligible are 1) those veterans continuing their full-time training during the first two years after the expiration of their delimiting periods and 2) those pursuing flight training courses which are reimbursed at 60 percent of the cost of the course.

Question 9. How many new loans have you made since the program was terminated (except for two groups) effective October 1, 1981?

Answer. At the end of April 1349 loans had been granted in fiscal 1982. This compares with 4021 granted as of the same time last year.

Question 10. What is your position on a change in the law to provide that, under the VEAP program, where a serviceperson has made a lump sum contribution and subsequently enrolls in a high-cost, short-term course, such veteran could elect to receive payments on a greater rate than the present authorized $225.00 a month?

Answer. We would have no objection to such an amendment provided it is revised to permit, subject to regulatiosn promulgated by the Administrator and the Secretary of Defense, all participants in the chapter 32 program who wish to take short-term, high-cost courses to receive greater monthly benefits for the period he or she is in training. To allow only those individuals who make lump sum contributions to make such an election would, we believe, discriminate against those individuals who make monthly contributions to the fund.

Question 11. How many veteran representatives are still stationed at educational institutions? Do regional Office personnel visit schools with substantial veteran enrollments on a periodic basis where veteran representatives are no longer assigned?

Answer. There is one remaining veterans representative on campus (American River College, Sacramento, California). Regional Office personnel periodically perform liaison visits to offer information, advice, and assistance to school officials who process VA paperwork. Through FYTD may 1982, 3,055 such visits had been conducted.

Question 12. Does the VA have toll free telephone lines at schools or educational institutions. If not, are veterans informed of the toll free numbers which can be used to call the nearest VA Regional Office?

Answer. Although the VA has no toll-free telephone lines physically located at educational institutitons, the public has access to the VA Regional Offices through the toll-free system which was initiated in 1967 and completed in 1977. The numbers are published in the white pages of the telephone directories, and veteran-students are informed of the toll-free numbers by school officials and school literature.

Question 13. How many veterans taking courses under the GI bill are assigned to educational institutions under the work/study program? Has there been an increase in work/study assignees to educational institutions as veterans representatives have decreased?

Answer. For the month ending May 31, 1982, 1,495 veterans taking courses under the GI Bill are assigned to educational institutions under the work-study program. This represents an increase of 19 percent over May 1981 when there were 1,206 participants. However, this increase is not solely attributable to the loss of the Vet Reps on Campus. Tightening alternative sources of student financial aid, growing familiarization with the program, and generally successful experience by both the schools and the veteran-student worker are all factors contributing to this increasingly intensive utilization of the benefit.

Question 14. Who supervises the activity and work performance of a student under the work/study program?

Answer. Assignments within the VA are supervised by VA employees. Assignments at educational institutions and other non-VA organizations are supervised directly by the sponsoring office and periodically by VA employees through a combination of telephone and personal contacts. Such supervision includes the hours worked, the nature of the work, and the quality of the work.

Question 15. What is the criteria for selecting an educational institution or other work place outside or beyond a VA facility for work/study assistance?

Answer. Generally, VA work-study students are assigned to schools on the basis of the volume of VA paperwork to be processed. The preponderant amount of time worked by these students must deal directly with assisting in the processing of VA paperwork or the gathering of information needed to fulfill VA reporting requirements. Work-study students may not be used to staff school offices for the purpose of qualifying the school for the VCI (Veterans Cost of Instruction) program. They may assist VCI staff, but may not serve as VCI staff themselves.

Students are assigned to other non-VA organizations of the basis of the work to be performed. Students assigned to these organizations must engage in VA outreach which entails the active dissemination of information on VA benefits and services, as well as assisting individuals to obtain these benefits.

Question 16. As a result of the Omnibus Budget Reconciliation Act of 1981, social security student benefits and widows benefits for survivors of servicemen who died on active duty were largely eliminated. The VA, of course, provides DIC benefits for survivors of servicemen who died on active duty were largely eliminated. The VA, of course, provides DIC benefits for surviving spouses and educational benefits for both the surviving spouses and for each surviving child.

Are the current benefit levels of these programs adequate?

Answer. The legislative history of dependency and indemnity compensation shows that survivors' benefits were intended to be an integrated package consisting of both VA and social security benefits. We are aware of the impact of the changed social security eligibility requirements. The situation is currently under study.

Question 17. It was pointed out that, if the VA's "user's fees" recommendation is enacted, the VA is projected to collect $41.7 million more than is needed to administer the VA Home Loan Guaranty Program. The recommendation was then to utilize these excess funds to fund the small business loan provisions of Public Law 97-72.

Does this suggestion have validity from your view point?

Answer. The propsoed legislation, HR 5710, that will authorize the VA to collect a funding fee (user's fee) provides that this income will be deposited in the general fund of the Treasury as a proprietary receipt. To use this income in any other manner would require modification to the proposed legislation.

The estimate of $41.7 million in excess funds is based on costs to administer the Loan Guaranty program, but does not consider the costs in terms of claim payments, which are covered by the Loan Guaranty Revolving Fund. Considering all costs, we do not anticipate an excess.

Presently, the Loan Guaranty Program is in a position where measures must be taken to offset operating costs for existing programs. Historically high interest rates in recent years and other economic factors have contributed to a situation in which funding fee income is necessary to lessen the impact of the program on the federal budget.

Accordingly, we feel that a suggestion at this time to use any funding fee income to fund the small business loan provisions of Public Law 97-72 is not valid.

Question 18. On educational overpayments you state you will soon reactivate all "previously terminated receivables", approximatley 800,000, at a value of more than $200 million. Does this mean you are reaching back to 1970 or before that year to actively pursue recovery of all debts as a result of educational overpayments that have previously been written off as uncollectible?

Answer. Yes. On May 10, 1982, 641,000 education accounts were reactivated at a value of $190 million and 120,000 compensation and pension accounts were reactivated in June 1982 at a value of $19.5 million. It is a misnomer to refer to these accounts as having been previously written off as uncollectible. They are accounts upon which active collection action was terminated for a variety of reasons, such as, inability to locate the debtor, the debtor failed to respond, or the dollar vlaue precluded referral to the General Accounting Office (GAO). These accounts were simply placed in an inactive status after all administrative collection efforts proved unsuccessful. This was prior to the Agency's authority to pursue enforced collection action up to and including litigation.

Question 19. In this regard, is there a statute of limitations on bringing suit by a VA district counsel to collect these unauthorized payments? In other words, are you precluded by the statute of limitations from "reaching back" to enforce collections of delinquent debts? If so, how much has been lost because the statute of limitations prevents action by your VA district counsels on such delinquent debts? If you are successful in collecting current overpayments that total $385.4 million and the reactivated 800,000 accounts with a value of $200 million, how much in dollar value will still be unrecovered in educational overpayments and educational loans since the program was established in 1966?

Answer. The statute of limitations is six years, after which we are barred from referring an account to the U.S. Attorney or VA District Counsel for enforced collection action. However, we are not precluded from pursuing administrative collection efforts, including revoery by offset from current benefits.

Enforced collection ability has been lost on 344,437 accounts valued at $148 million. However, if a debtor acknowledges the existence of a debt, the statute of limitations begins running again from that date of acknowledgement.

As of May 1982, we have, in addition to those mentioned above, $60 million in education overpayments still outstanding that have been turned over to GAO. The VA is no longer acccuntable for the collection of these debts. Therefore, changes in VA collection actions would have no effect on improving collectibility of these accounts. However, we do have $35 million in defaulted education loans still unrecovered.

VETERANS ADMINISTRATION,
OFFICE OF THE CHIEF BENEFITS DIRECTOR,
Washington, D.C., August 5, 1982.

Hon. ROBERT W. EDGAR,
Chairman, Subcommittee on Education, Training, and Employment, Committee on Veterans' Affairs, House of Representatives, Washington, D.C.

DEAR MR. CHAIRMAN: This is to provide you with the information on appeals in delimiting date extension cases that you requested during my June 17, 1982 appearance before the Subcommittee.

As of June 30, 1982, DVB field stations had received 162 Notices of Disagreement and had issued 121 Statements of the Case in response. Thirty-three substantive appeals had been filed, but, as of the end of June, none of those 33 had yet been forwarded to the Board of Veterans' Appeals.

Sincerely yours,

DOROTHY L. STARBUCK,
Chief Benefits Director.

HON. MARGARET M. HECKLER TO VETERANS' ADMINISTRATION

Question 1. In the event that this hearing and similar action on the Senate side convinces you that you may have misinterpreted the intent of the law extending the delimiting date for certain veterans, would you consider changing your regulations or, in your opinion, would a new law have to be passed?

Answer. We believe we have properly construed Congressional intent concerning the two year extension of the delimiting date for certain veterans. Legislation would be required to apply the provisions to include all unemployed or underemployed Vietnam Era veterans.

Question 2. One of the statements made concerning the low enrollment under the G.I. Bill extension is that the legislative history of the law would indicate that it was meant to be very restrictive. Is that your opinion? And, if so, do you believe the Administration should recommend any liberalizing amendments?

Answer. We view the amendment to 38 USC 1662(a) as a means to provide a limited extension to veterans who, within their original 10-year delimiting period, were unable to effectively utilize their benefits to achieve the education or skills necessary to gain entrance to the workforce. We do not believe it was the intent of Congress to provide a general extension of the G.I. Bill to veterans who do possess a relatively extensive educational background, or a marketable skill, but who are experiencing employment difficulties that are more closely related to the Nation's economic problems in general than with their military service.

We would not favor legislation to extend the delimiting date to all unemployed or underemployed veterans. It is not within the intent of the noncontributory G.I. Bill to serve as a retraining program for individuals seeking employment many years after their separation from the Armed Forces.

Question 3. To your knowledge has the Small Business Administration opposed funding of the loan bill that we passed last year?

Answer. To our knowledge, SBA has not been queried by OMB since enactment of Public Law 97-72 concerning the need for funding of the VA small business loan provisions.

Question 4. Congress amended the law last year on correspondence courses under the GI Bill so that the veteran now has to pay 45 percent of the total cost. Didn't this eliminate most or all of those persons who were taking such courses on an avocational basis as opposed to a vocational basis?

Answer, We continue to seek repeal of correspondence study. Our experience has indicated that such courses do not lead to employment for most veterans.

Question 5. I am told that "advance pay" or GI Bill allowances causes many of the overpayments that you are trying to cope with. I know that such payments are popular with Vietnam veterans and that they are helpful to them. Could you please discuss the pros and cons of this benefit.

Advance payment to veteran-students at the beginning of a school term helps meet some of the expenses they incur which are concentrated at the beginning of the school term. However, such payments have been a source of overpayments. Veterans receive an advance payment of benefits and they do not pursue their program; drop out of the course within a short period after commencing the program; or reduce the rate of pursuit, thereby being overpaid by the full advance payment or a portion thereof.

Question 6. Was a request made in your annual appropriation request for sufficient personnel to carry out your new vocational rehabilitation procedures.

Answer. Yes, the data were carefully studied before the request was made. Average employment of 681 is sufficient staff to carry out the major provisions of the vocational rehabilitation program.

Question 7. How many students are currently taking correspondence courses under the GI Bill?

Answer. At the end of May, there were 15,139 veterans, servicepersons, and dependents training via correspondence.

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